

MICROCOPY

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NATIONAL ARCHIVES MICROFILM PUBLICATIONS

Microfilm Publication M976

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

Roll 60

1930-39

793.94/14711-14924
Jan.-Apr. 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.

0001

DECLASSIFIED: E.O. 11652, 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 851.248/139 FOR Tel. #276, 10 p.m.

FROM France (Bullitt) DATED Feb. 13, 1939
TO NAME 1-1127 ***

REGARDING: Situation produced by the Japanese seizure of the island of Hainan; Discussion of Daladier stated that France could not be expected to do more than to ask the Japanese to promise to get out of Hainan when the war with China should come to an end.

mb

793.94/14711

14711

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

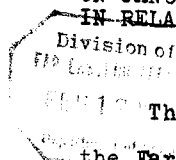


RECEIVED
DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS
1939 FEB 4 AM 10 41 January 25, 1939



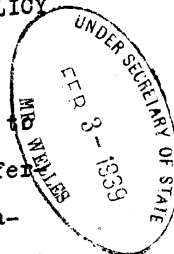
REGIONAL CONFERENCE OF AMERICAN COUNCIL, INSTITUTE OF
PACIFIC RELATIONS, HELD AT CAMBRIDGE, MASSACHUSETTS,
ON JANUARY 21 AND 22, 1939, TO DISCUSS AMERICAN POLICY
IN RELATION TO THE CONFLICT IN THE FAR EAST



The discussion of American policy in relation to
the Far East, which took place at the Regional Confer-
ence of American Council, Institute of Pacific Rela-
tions, held at Cambridge, Massachusetts, on January 21
and 22, 1939, brought out expressions of view which are
not without interest.

There was general unanimity of opinion that Japan's
objective was to establish a Far Eastern bloc of states
subservient to Japan, which would give Japan complete
control of China, and that economic and financial diffi-
culties, in the absence of application of sanctions by
third Powers, gave no promise of causing Japan to dis-
continue its aggression or to offer sufficiently moderate
terms to be acceptable to the United States and Great
Britain. On the question of China's capacity success-
fully to resist without foreign assistance, there was no
unanimity of opinion. The view was advanced by Dr. Hopper
of Harvard University without any dissent that a German-
Soviet combination would change the course of affairs in
the Far East, that this was a practical possibility as
Russia was smarting from the effects of having been

"blackballed"



793.94/14712

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100

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

-2-

"blackballed" by the Western Powers and desired to retaliate against England and France. He felt that Chamberlain favored a policy of appeasement in the Far East, as elsewhere, although he advanced no definite views as to what form such a policy toward Japan might take.

There appeared to be considerable confusion and differences of views as to what constituted American objectives in the Far East. The view was generally accepted that if Japan was successful Japan would become a menace to the United States, a circumstance constituting a source of concern to us which should be taken into account. The Council was overwhelmingly in favor of granting further aid to China as a means of assisting orderly processes. There was general agreement, however, that it was undesirable that we should take military action against Japan, but views on whether we should take single-handed action against Japan in applying economic sanctions were divided. Those opposed to such a course pointed out that it was unlikely that economic sanctions imposed by the United States alone would be effective in curbing Japan, and it was, therefore, considered desirable that this Government explore the possibilities of obtaining the cooperation of Great Britain, the Netherlands, and France. Others, however, pointed

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

-3-

pointed out that the United States was the real pivot in the situation, that the other Powers would not be likely to join with us unless we took the lead, and it was believed that if the United States should implement the principles set forth in its note of December 31 to Japan the other Powers would follow. There was general agreement that further conferences, such as the Brussels Conference, were undesirable as they merely served to confirm Japan in the view that the Powers did not mean business. It was pointed out that at the time of the Washington Conference, this Government had plenty of "blue chips", but not so many now, and that we should proceed all steam ahead to fortify Guam to promote our bargaining position. At the same time, it was desirable that this Government take some action to get the Soviet Union "back into the club" and tie up the Far Eastern problems with those of Europe.

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

No. 539.

AMERICAN CONSULATE GENERAL

Hankow, China, December 16, 1938

Subject: Conditions in Wuhan Following Japanese Occupation on October 26.

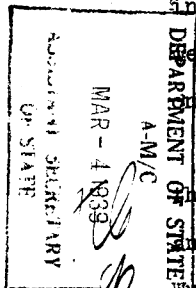
The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to report on local conditions in this area as they have existed during the eight weeks since the Japanese occupation which took place on October 26, 1938:

As previously stated in despatches and telegrams the occupation of Hankow was effected without resistance and almost literally without a shot being fired. In Wuhan, while there was no organized resistance, the Japanese indulged in some shooting of Chinese stragglers as well as civilians. In Hankow the Mayor and all Chinese civil and military officials and practically all Chinese business men of importance had left prior to the Japanese arrival. All the police had left except those in the French Concession and in S. A. D. No. 3 (ex-British Concession). All public utilities (telephone, telegraph, water and electric light) had discontinued functioning, except the electricity supplied by the British-owned Hankow Light and Power Company which supplies the French Concession and S. A. D. 2 and 3. It was estimated that there were about 400,000 people



793.94/14713

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14713

-2-

people (50 percent of the normal population) in Hankow on October 26. The majority of these had taken refuge in the ex-concession areas and the French Concession, which areas were greatly over-crowded.

Almost immediately after their arrival the Japanese expressed dissatisfaction at this arrangement as by it the most desirable part of Hankow was occupied by Chinese refugees. The Japanese at once set about remedying this situation, and within a few days Hankow had been divided into various sections. The Japanese Navy took jurisdiction over the ex-German and ex-Russian Concessions (S. A. D. 1 and 2). The Japanese army controlled the remainder of Hankow, including the ex-British Concession (S. A. D. 3). Although on account of the Chen-O'Malley Agreement jurisdiction by them in the latter area was, in theory at least, somewhat limited. The area bordering on the Han River was designated as a refugee zone. All Chinese who had sought refuge in the ex-concession areas were required to remove there. Residence certificates were issued to those Chinese in the ex-concession areas who could provide proof that they had hitherto legitimately resided there, and the remainder were forced to leave. The area immediately west of the ex-British concession was designated as a "commercial area" where it is expected the Japanese will establish the bulk of their shops and business houses. Beyond the "commercial area" is the so-called "Japanese-Chinese Section" the purposes of which are not yet entirely clear. At the present time the so-called refugee zone is inhabited by some 80,000-90,000 Chinese, the greater part of whom are indigent.

They

-3-

They are being cared for by the Hankow Refugee Zone Committee. The original Chinese police of S. A. D. 3 who were withdrawn on board a British steamer when the policing of that area was turned over to the Japanese, returned to duty about December 1. No Chinese police are functioning however in other areas. The water supply was resumed on a limited scale at the end of November. The telephone service is still discontinued.

Traffic and Communication Difficulties.

Previous to the occupation of Hankow street gates had been erected between the various ex-concessions and between the ex-concessions and the so-called "native city". These were erected largely at the instigation of the foreign residents who thought that they might prove useful against Chinese mobs etc. The Japanese have found these street gates extremely useful for their purpose in controlling traffic and communications of both foreigners and Chinese. These gates are closed at night and no communication is allowed. During the day time Chinese are allowed through the gates only by presenting their residence certificates and bowing with doffed hats to the Japanese sentry on duty. This, together with the absence of telephones, makes the delivery of messages and general transaction of business slow and somewhat uncertain. In addition certain streets are entirely cleared of all traffic - both foreign and Chinese - for lengths of time varying from 1 to 3 hours to permit the safe travel of whatever high Japanese officials may be in that region. This occurs at least once

-4-

once and sometimes several times daily in front of this Consulate General.

French Concession.

The diminutive French Concession, with an area of approximately 60 acres, is by far the most crowded section of Hankow, now containing a population of approximately 50,000. It is completely barricaded, and admission is allowed only to Chinese by pass. Japanese soldiers and transport are permitted to pass along the French Bund but not to enter the rest of the concession. The water supply, which the Japanese turned on at the end of November in certain other parts of Hankow, including the ex-Concessions, is denied to the French Concession. Recently no food supplies are permitted to pass Japanese sentries into the concession. The alleged reason for this attitude on the part of the Japanese is that the Concession is stated to be harboring certain "bad characters" which the Japanese desire to take jurisdiction of.

It may be stated also that while the accumulation of dirt and filth throughout the city has been enormous, the French Concession has suffered in this respect the worst of any part of the city. Disease has been severe and these conditions show no sign of abatement. Although it is now the middle of December, the accumulated dirt and filth has brought on an unprecedented plague of flies which are not only extremely uncomfortable and annoying, but a great menace to health.

Conditions in Wuchang.

The city of Wuchang which normally has a population of approximately 350,000 is looted bare and practically deserted.

7008

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

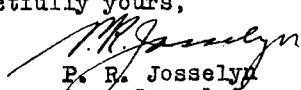
-5-

deserted. There were some 6000 - 8000 refugees in various mission compounds in Wuchang, the Central China College of the American Church Mission and the American Catholic Mission having the largest numbers. These remained on the premises up to a few days ago. However, owing to the Japanese policy of not permitting food to be transported to them, they have recently been compelled to remove to an area outside Wuchang which the Japanese had designated as a refugee camp. One American resident in Wuchang who has travelled about the city extensively tells me that he estimates there are not more than 1000 Chinese in Wuchang city itself. The premises of the Wuhan Sanitarium, outside Wuchang, were harboring about 10,000 refugees at last accounts and had been able to transport certain food stuffs to them, but it is not known how long the Japanese will permit this situation to continue.

Business.

As can be imagined from the foregoing business in Hankow, except for the supply of daily necessities is absolutely at a stand still and will probably continue so for some time.

Respectfully yours,


P. R. Josselyn
American Consul General

Original and 4 copies to Department.
Copy to Embassy, Chungking.
Copy to Embassy, Peiping.
Copy to Consulate General, Shanghai.

800

PRJ/CFS

0009

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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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TELEGRAM SENT

Department of State

5434

TO BE TRANSMITTED

CONFIDENTIAL CODE

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PARTIAL

PLAIN

1939 FEB 15 PM 6 17

Washington,

February 15, 1939.

AI

AMEMBASSY,

DIVISION OF
COMMUNICATIONS
AND RECORDS

TOKYO (Japan).

40

CONFIDENTIAL.

8 p.m.

This cable was sent in Confidential Code.
It should be carefully paraphrased before
being communicated to anyone. A-1

293.94

The Department desires that, unless you perceive substantial objection, you seek an early interview with the Minister for Foreign Affairs and make, as under instruction from your Government, an oral statement substantially as follows:

The Government of the United States has not failed to note the statements which the Japanese Government has from time to time made that Japan has no repeat no territorial ambitions in China. With reference to the recent announcement of Japanese occupation of the Island of Hainan, attention is invited to the fact that there are substantial American missionary and educational interests and numerous American residents, chiefly missionaries, in the Island and that the American Government maintains no consular representation in Hainan. In view of these circumstances and having in mind also the general question of the relationships among the powers, including the United States, which have important interests in

Enciphered by

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

D. C. R.—No. 50

1-1462 U. S. GOVERNMENT PRINTING OFFICE

793.94/14713A

F/FG 14713a

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

5435

PREPARING OFFICE
WILL INDICATE WHETHER

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Charge Department
OR

Charge to
\$

TELEGRAM SENT

Department of State

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTAIR
PLAIN

- 2 -

Washington,

and with reference to the Pacific area, relationships which have formed the basis of various international agreements, the Government of the United States would be glad to be informed as to the intentions of the Japanese Government in connection with the occupation of Hainan.

Handwritten signature
D. H.

JWB
FE:JWB:EJL

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PA/H

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✓
OR
FEB 15 1959 PM

Enciphered by _____

Sent by operator _____ M., _____, 19____

D. O. R.—No. 50

1-1462 U. S. GOVERNMENT PRINTING OFFICE

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



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN EMBASSY

No. 3628.

Tokyo, January 21, 1939.

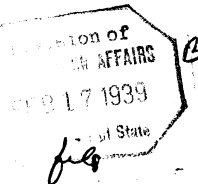
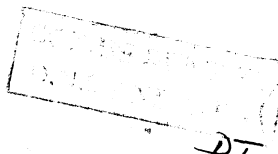
SUBJECT: SHIUNSO OPEN LETTER TO THE PRESIDENT.

For 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. Mumford	Mr. Quinn	Mr. Nease	Miss Gandy
DNI MID																	

RECEIVED
COMMUNICATIONS SECTION
JAN 21 1939

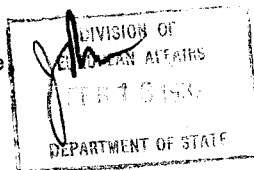
1939 JAN 21 1939

COMMUNICATIONS
AND RECORDS



The Honorable

The Secretary of State
Washington.



FEB 17 1939
DEPARTMENT OF STATE

793.94/14714

793.94/14714
Sir,

1/ In telegram 25 of January 17, 1939, 4 p.m., the Embassy summarized an advertisement of the patriotic society known as the Shiunso which appeared in the NICHU NICHU newspaper on January 17. A somewhat more detailed newspaper translation of that advertisement is now transmitted herewith.

The Shiunso is the organization referred to in the Department's telegram 360, October 25, 1938, noon, and in the Embassy's telegram 688, October 28, 9 a.m.

Enclosure:

Clipping, "World Disturbance
Blamed on Britain,"
JAPAN ADVERTISER,
January 8, 1939.

Respectfully yours,

Joseph C. Grew

Joseph C. Grew.

SDO.
CD:r

14714

0012

DECLASSIFIED: E.O. 11652, 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.3638 , dated Jan.21 ,1939.
from the Embassy at Tokyo.

The Japan Advertiser.

Tokyo, Wednesday, January 18, 1939.

WORLD DISTURBANCE BLAMED ON BRITAIN

Open Letter to Roosevelt Says
'There Is No Greater Ag-
gressor Nation'

DENIES DEMOCRACY CLAIM

U.S. Reminded of Past Japa-
nese Friendliness and Effect
Of Late Events

Branding Great Britain as the great-
est aggressor nation in the world, an
open letter addressed to President
Roosevelt in the Nichi Nichi yesterday
advises him to direct his talk of ag-
gressor nations elsewhere than at Ger-
many, Italy and Japan.

The open letter was published in a
half-page advertisement by the Shi-
unso, a small private organization
headed by Mr. Tetsuma Hashimoto, the
chief activity of which seems to be the
arranging of such advertisements,
which seek to influence public opinion
on outstanding national and interna-
tional questions.

Blaming most of the world's modern
ills on Britain's economic and politi-
cal stranglehold on a fourth of the
earth's territory, the Shiunso suggests
that President Roosevelt's efforts to-
ward world peace might bear greater
fruit were they aimed at correcting the
one-sided distribution of world re-
sources and trade.

The letter points out that the Japa-
nese people have always held their
"commercial neighbor" in high esteem
for its sense of justice unmotivated by
profit and regret that recent words and
actions by the United States have rais-
ed doubts of its impartiality.

Text of Letter

The essential points of the lengthy
article follow:

"The Japanese people had always en-
tertained a comparatively large mea-
sure of respect for the United States
among the various countries of the
world.

"Because, firstly, the United States
and Japan are commercial neighbors
between whom there is the least fear
of a clash of interests, and, secondly,
the United States, unlike Britain, is not
swayed merely by a sense of profit and
loss but is capable of acting in the
cause of justice from a comparative-
ly impartial standpoint. The fervent
manner in which the Japanese apo'o-
gized for the Panay affair amply de-
monstrated the temper of Japanese
sentiment toward the United States.

"Of late, however, there is no deny-
ing that the Japanese people have come
to harbor doubts about Your Excel-
lency's words and actions as the re-
presentative of the American people.
Thus, we regret to say, the feeling has
spread over Japan that the United
States is no longer an impartial third
nation, but one which deliberately
abuses Japan and deliberately tries to
impede Japan's actions, an unfriendly
neighbor against whom it is well to
be on guard.

Talk of Aggressor Nations

"Since the year before last, Your
Excellency on frequent occasions has
discussed the problem of the world's
aggressor nations, led American public
opinion in advocating isolation of ag-
gressor nations, taken up the problem
of the right to designate aggressor na-
tions, urged the revision or abolition of
the Neutrality Act and even brought
up the issue of so-called economic
sanctions against aggressor nations. In
that by aggressor nations Your Excel-
lency has always in view Germany,
Italy and Japan, we feel we must ask
for your views on the following points:

"If Your Excellency has at hand a
map of the world, please take a look
at it. You will immediately see that
there is no greater aggressor nation
than Britain, possessing more than a
fourth of the total territory of the
world. You will also see that Britain
is actually holding the fruits of past
aggressions.

"We repeat that although the fact of
British aggression belongs to the past,
the state of aggression is still being
maintained in India, Palestine, Africa
and elsewhere by means of British
arms and rule of force. We believe,
therefore, that unless Your Excellency
utterly ignores so patent a fact recorded
on the map of the world, your campaign
against aggressor nations must be direct-
ed above all against Great Britain. We
feel that Your Excellency, in passing
over this grave fact entirely and in
concentrating your fire on Germany,
Italy and Japan, is committing what is
referred to in the Bible as filtering the
worm and swallowing the camel. What
is Your Excellency's view on this mat-
ter?

British Economic Bloc

"As if acting in concert with Prime
Minister Neville Chamberlain of Bri-
tain, Your Excellency is ardently ad-
vocating the solution of international
problems by peaceful discussion, but
do you not perceive that Britain has
not only blockaded its vast territory
and overflowing resources against the
rest of the world but has also form-
ed an economic bloc with its colonies
and is frustrating freedom of trade?
Do you not see that such is a most
unnatural state of affairs and contrary
to the way of world peace and world
prosperity?

"Still more plainly put, can Your Ex-
cellency not believe that the frequent
disregard of the Kellogg-Briand anti-
war pact and all other instruments of
collective security is largely due to the
greedy and selfish self-prosperity poli-
cy of Britain?

- 2 -

"Viewing this in the light of the Far Eastern situation, Britain, not content with closing the door to its own vast territory, is attempting even to turn Japan's neighbor, China, into a British colony, not stopping with conspiring against Japan. It cannot be that Your Excellency, who is so anxious to preserve the peace of the world, is not aware that the main cause of the China incident is due to such conspiracies on the part of Britain? If so, then, Your Excellency's efforts to establish world peace should properly begin with urging Britain to reflect on its greedy self-prosperity policy, and, if Britain fails to adopt a policy of international co-prosperity, you should publicly proclaim that the problem of redistribution of the vast British territory and overflowing resources should be brought up for peaceful discussion among impartial Powers. We believe that this is the most urgent step if a new order of peace is to be constructed in the world. What is Your Excellency's view on this matter?"

"If Your Excellency, while recognizing the great source of evil so damaging to world peace, should tacitly countenance it because of such mere technicalities as that it is a matter of British domestic policy, and should continue building on uneven ground, leaving the sources of struggle between nations unremedied, Your Excellency's effort, for all its admirable intentions, cannot in the end escape the criticism that the United States is playing watch dog for maintenance of the unnatural status quo of wily Britain.

Democracy Claim Challenged

"That Your Excellency should clamor for the defense of Democracy is only natural from the American standpoint, but if Your Excellency's so-called defense of Democracy includes also the defense of the British brand of Democracy, we must express amazement at Your Excellency's disregard of realities.

"As Your Excellency must be aware, the British brand of Democracy is one in which, as a certain American has pointed out, 'A mere 40,000,000 Englishmen exploit the 400,000,000 people of its territory scattered over the face of the globe, and by means of their sacrifices the people of Britain live the life of the nobility—a most strange doctrine.' If Your Excellency intends to defend such brand of Democracy besides the American Democracy, it must be said that Your Excellency is defending mere animalism, the principle of the strong living on the weak, utterly contrary to the peace of the world.

"That Britain, a self-avowed Democratic nation, while exposing its hand, smeared with past aggressions and violent oppression of its colonies, should have the brazen effrontery to call other nations aggressors in order that it may hold the fruits of its past aggressions, presents to us a picture of a burglar trying to put his pursuers off the scent by crying 'Stop thief!' Does Your Excellency believe that, by making the United States an abettor of this get-away, Your Excellency is defending American Democracy and adding glory to the history of the United States?"

"Of late, Britain, despite its Democratic signboard, is hastening to expand its armaments in order to give weight to its international utterance, but armaments cannot be built up merely by money and materials. * * * When, in the near future, the rest of the world combines against the greedy self-prosperity policy of Britain and the anti-British sentiment of the British colonies themselves reaches the breaking-point, the lot of the people of Britain who have been dancing on a volcano in repudiation of the policy of world coprosperity will be a most pitiable one. Consequently, we believe that if Your Excellency would sound the warning to Britain and urge it to reconsider, you would not only be doing signal service to the peace of the world but would be benefiting the revival of Britain itself. What is Your Excellency's view on this matter?"

Proposition to Japan

"According to the American note to Japan from the United States Government on December 31 regarding the open door in China—and there can be no doubt that the foolish British note of January 14 was calculated to correspond with it—the American Government seems to be desirous that Japan should put up to the various Powers concerned its claim for revision of the Nine-Power Treaty. According to our experience, however, an international conference called to deal with Japan invariably is aimed at defending the unnatural status quo secured by Britain through its past aggressions, a conference in which * * * Britain may resort to its usual crafty methods for the oppression of Japan by a sheer numerical majority. What is Your Excellency's view on this point? Is it Your Excellency's wish that Japan should forever struggle in the net spread by Britain, in a state akin to being completely bound and gagged?"

"In our opinion, if Your Excellency truly desires the peace of the Far East and of the world, it is incumbent on Your Excellency to make a 180-degree change of course, so that the prestige of the United States may be used rightly and in a just cause.

"First, the United States should induce other Powers to refrain from political intrigue in China behind Japan's back, in view of the bitter experience of the past.

"Second, if Britain will not voluntarily adopt a new policy of world coprosperity in its vast territory and overflowing resources, the United States should put up to the principal Powers of the world the problem of redistribution and endeavor at least to open British resources and markets to the rest of the world.

"Third, the United States should recommend to the Soviet Union that it cease its bolshevizing activities and, if the Soviet Union refuses, should join the anti-Comintern pact with Germany, Italy and Japan * * *

"If the United States would approach Japan on the basis of these three principles, what pending question in the Far East could not be solved now? At least, peace in the Far East would be established at once, and Japan and China will progress on the road of co-

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

- 3 -

existence and co-prosperity. The field of economic activities of the Powers in China would be expanded and the rights and interests of the United States would unquestionably increase.

Accountable for Future

"The right and wrong of international relations today is extremely clear, as we have pointed out. Can you wonder, then, that so long as Your Excellency persists in disregarding such obvious reasoning and leading public opinion in the United States towards a common front with Britain, a defendant in the world's tribunal, in advancing loans to the Chiang Kai-shek regime, which is substantially no different from a Communist Government, and so long as Your Excellency, oblivious of your grave responsibility, continues to irritate Japan by ill-advised and inflammatory words and actions, the relations between Japan and the United States and Britain should be aggravated?

"Thus, the responsibility for whatever retaliatory measures Japan may take as a last resort in the face of the anti-Japanese economic sanctions Britain and the United States are contemplating must lie with Your Excellency.

"Such a state of affairs would be most regrettable for us, who have for many years held the United States in high esteem and who have been convinced that there can be no war between Japan and the United States. Unless, therefore, Your Excellency and those about Your Excellency, reconsider your attitude, we must be prepared even for such a situation, in order that the detestable modern world in which selfish struggles hold sway may be ended, and a new era of world co-prosperity and human co-existence ushered in. It may be that such suffering must be endured as birth-pangs of that new era. It may be that only after Japan, standing on the Imperial Way, the absolute truth of the universe—the way of self-negotiation and great love—has with the force of a charging lion freely given play to its great creative warfare, and has shattered the cancerous illusion of the modern people who would measure the extent of justice and righteousness by the quantity of material goods one has, can the Garden of Eden, which mankind has lost since the Day of Creation be regained."

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

TELEGRAM RECEIVED

CA

FROM

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



PARIS

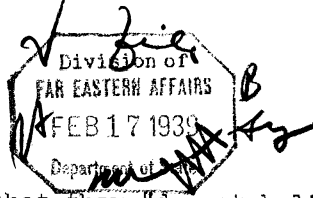
Dated February 16, 1939

Rec'd 4:55 p.m.

Secretary of State

Washington

300, February 16, 5 p.m.



The Foreign Office tells us that they "do not believe for a moment" the Japanese assurances that the occupation of Hainan is merely a temporary measure taken for military reasons. Chauvel, Chief of the Far Eastern Division, said that if the primary purpose of the Japanese was to shut off foreign supplies from reaching China via the southwest coast this could have been accomplished much more effectively by seizing Pakhoi and pushing on to Nanning. He believes that the occupation of Hainan is part of "axis policy" and that the Japanese have no intention of abandoning their hold on the island.

The French Government, however, does not contemplate taking any further step at present and while placing no reliance in the Japanese assurances is at least glad to have them on the record for possible use in the future.

Chauvel said that since the occupation of Hainan the

French

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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--300 from Paris..

French Government had modified somewhat its instructions regarding the passage of supplies over the Indo-China Railway and that certain material which had hitherto been held up was now going forward.

Chauvel said that upon hearing that a United States destroyer had left Hong Kong to investigate the situation of American missionaries in Hainan, the French had proposed to the British that they should each send a vessel as well, believing it helpful to show "the three flags" there at this particular time. No reply has yet been received from the British.

BULLITT

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

No. 1902

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

M

Stanton

AMERICAN CONSULATE GENERAL

Shanghai, January 4, 1939.

SUBJECT: Intelligence Summaries for the
Month of December 1938.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

Division of
EXTERNAL AFFAIRS

FEB 17 1939

Department of State

I have the honor to refer to my despatch no.

1852/14556 of December 5, 1938, and to enclose, as of
possible interest to the Department, copies of in-
telligence summaries for the month of December 1938,
prepared by the Intelligence Officer of the United
States Fourth Marines.

Respectfully yours,

C. E. Gauss
American Consul General

Enclosure:

1/- Intelligence summaries
for December 1938.

800
EFS MB

In Single Copy
Copy to Embassy, Peiping.
Copy to Embassy, Chungking.

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

JSM/jsn

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

6 December 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 3 DECEMBER, TO 0800 6 DECEMBER, 1938

OPERATIONS

The situation in Central China apparently remains unchanged. In South China the Chinese command continues its preparations to meet an anticipated Japanese drive into southern Kwangsi. The civilian population living in the Pankoi and Luaichow (Maikang) vicinities of Kwangtung has been ordered to evacuate because of the probability of a Japanese landing.

IN KWANGTUNG, according to a Chinese communique, Chinese troops have launched an offensive against the Japanese south of Tsunghua. Meanwhile mopping-up operations continue around Canton and in the west Pearl River delta. Since the disruption of the transportation of arms by the Lowloon-Canton railway and the West River to Samshui, arms have entered by a new route through the western section of the Pearl River delta via Chaoching by way of Koming. Mopping-up operations in the west of the delta is thought being directed against this arms traffic.

IN NORTHWEST KINCHSU fighting occurred on the 2nd and 3rd in the vicinity of Sutsien southeast of Hsuehchow.

IN HOPEI a skirmish took place on the 3rd near Laiyuan on the Shansi-Hopei border northwest of Paoting.

IN SHANSI AND HOPEI provinces, during mopping-up operations from July to November, the Japanese claim the Chinese lost 56,079 dead and 3,090 prisoners.

IN SHENSI the Japanese claim that the Chinese have been forced to discontinue work on the Paoki-Lanchow railroad caused by repeated air-raids of Japanese planes.

AVIATION

KWEILIN was attacked on the 2nd. This city is located in northeastern Kwangsi province.

Five Japanese air squadrons routed Chinese troops on the left bank of the West River near Sichiaoshan, Kwanshanhui, and Kowkong, December 3rd. Chinese entrenched north of Waichow and Tsengching were also bombed.

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OSD letter, May 3, 1972
NARS Date Mar 19, 1973

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

Aerodromes at Yushan in northeastern Kiangsi and Hian, in the central part of the province, were bombed on the 3rd.

Hingsiang, in Hunan, south of Tungting Lake, was bombed on the same day.

Naval aircraft blew up godowns in and around Ichang in Hupeh province on the 4th. On the same day naval aircraft operating in south China bombed a Chinese gunboat near Chaoching in western Kwangtung.

Army aircraft continues harassing Chinese troops in northwestern Shansi and southern Suiyuan. In Shansi they have attacked troops near Paoteh and at Hoku north of Paoteh while in Suiyuan Chinese have been attacked near Tungsheng.

POLITICAL

Marshal Wu Pei-fu is reported to have changed his attitude with regard to his acceptance of the Presidency of the new Central Government of China which General Doihara is endeavoring to form. This change threatens to upset the plans for formation of this new government.

LOCAL

Guerilla fighting of severe nature was reported as having occurred on the 5th near Sa Tsang Ying Tso, a small fishing village located in the vicinity of Tsungming Islands in the mouth of the Yangtze.

J. S. Monahan

J. S. MONAHAN
Major, U.S. Marine Corps
Regimental Intelligence Officer.

7021
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Department of State letter, August 10, 1972
By Milton O. Gustafson NARS, Date 12-18-75

JSM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

8 December, 1938

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OSD letter, May 3, 1974
By [Signature] NARS Date Mar 19, 1973

RESTRICTED

R-2 REPORT, PERIOD 0800 6 DECEMBER, TO 0800 8 DECEMBER, 1938

OPERATIONS

IN Kwantung, with operations against Chinese remnants in the East Pearl River Delta completed, they have been extended to the west of the Delta. Reports state that Kowkong, 27 miles southwest of Canton, Kongmoon, 40 miles northwest of Macao, were captured on the 3rd and 5th. In the vicinity of Samshui Japanese forces are said to be concentrating to the southwest of the city. An offensive toward Chaoching (Kaoyao), on the West River above Samshui, is believed to be imminent. After capturing Kiukiang, south of Canton, Japanese troops occupied Chiangmen, north of Sinhui on December 5th.

IN SHANSI, a Japanese Communique states that Northwest China has been placed under the command of communist military leaders. In addition Chiang Kai-shek has ordered the Central Governments divisions of the 9th, 14th and 166th to transfer from the north bank of the Yangtze to the south bank. Another report states that Japanese divisions are concentrating on the north bank of the Fen River where it enters the Yellow River. It is thought that the Japanese may attempt to cross into Shensi at Yumentu. The Chinese are concentrating near Hanchen, opposite the Japanese concentrations.

IN LIANGSU, southeast of Taihu Lake Japanese information states that large numbers of guerillas have surrendered due to increasing difficulties in obtaining food supplies and in winning the support of local communities.

IN ANHWEI, the guerilla leader Fu Shao-ling leader of Chinese irregulars in the northern part of the province is reported to have surrendered recently to the Japanese Army Special Service Section at Juhu. In return he was appointed president of the Wuwei Autonomous Committee.

AVIATION

On the 4th Chinese troops were heavily bombed near Pingkiang in Northern Hunan. In Kwangtung, Nanyung and Shihung were raided on the 5th. On the 6th Japanese naval planes attacked an airdrome at Liuchow in Central Kiangsi.

POLITICAL

A Womens' Peace Maintenance Commission was inaugurated in Canton on the 4th.

An attempt was made to assassinate Mr. Chi Kuo-chen, Chairman of the Hankow Peace Maintenance, in Hankow on the 6th.

No Map

H. S. Walcott 1st Lieut.,
for
J.S. MCMAHAN
Major, U.S. Marine Corps,
Regimental Intelligence Officer.

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

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Philipman Mar 18, 1973

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HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

10 December, 1938.

RESTRICTED

R-2 REPORT, PERIOD 0800 8 DECEMBER, TO 0800 10 DECEMBER, 1938

OPERATIONS

KWANGTUNG: Fighting continues south and southwest of Canton. The Chinese are reported to have systematically destroyed a section of the Canton-Hankow railroad, extending from a small station north of Canton to another small station south of Yingtak. Fighting continues in the vicinity of Tsunghua about 37 miles north of Canton. In the vicinity of Chuenchow channel between Hainan and the mainland Japanese gunboats have been bombarding coastal settlements.

HOPENI: The Japanese announced in a Communique of the 9th that the triangular area between Paoting, provincial capital in the west, Peking to the north and Tientsin to the east has been successfully cleared of Guerillas. Detachments of Japanese in this area occupied Niungtsien 25 miles east of Paoting on the 7th. Previous to the capture of this town they occupied Sincheng 19 miles north of Niungtsien on the 6th and Pahsien, halfway between Tientsin and Paoting, earlier in the week.

SHANSI: A skirmish occurred near Pingyaotow south of Taiyuan on the 5th. Another clash occurred near Sanlootze in the southwestern part of the province on the 7th. Fighting is also taking place in the southwestern part of the province in the vicinities of Linfeng, Siangling and Sinchiang. Siangling which is southwest of Linfeng on the Fen River was captured by the Japanese on 4 December, meanwhile the Japanese stationed at Chuwu and Houma are moving southward along the Tungpu railroad.

HUNAN: The Chinese continue massing troops and preparing defenses in the Pingkiang sector in the northeastern part of the province. On the 9th a Japanese column attacked Chinese positions on the north bank of the Sintsiang River. On the same day another column made an unsuccessful attempt to land on the East shore of Tungting Lake near Lokoshih behind the left flank of the Chinese forces defending the Sintsiang River.

AVIATION:

Chinese aircraft is reported to have bombed Japanese troops in the vicinity of Samshui on December 6th. More than twenty Japanese bombers mass attacked Chinese troops and position in the vicinity of Pingkiang on the 7th. In addition another aircraft unit bombed about 700 military vehicles on the highway linking Changsha with Nanchang in northwestern Kiangsi.

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

On the 8th Chinese troops on the Nanking-Pingkiang Highway in northeastern Hunan were bombed as well as Chinese troops at Sintsiang 22 miles south of Yochow and at Yanglinchieh 10 miles east of Sintsiang. In southern Hunan, on the following day, military establishments and rolling stock on the Canton-Hankow railroad were bombed at Chen-hsien. In south China on the 7th air raiders in the vicinity of Iweiping in eastern Kwangsi destroyed and damaged military junks as well as military establishments. On the 8th Lokchong, in northern Kwangtung and the vicinities of Yingtak and Tsingyun in Central Kwangtung were bombed.


POLITICAL:

There has been no new development in the past week with regard to the formation of the new Central Government fostered by the Japanese. Marshal Ju Pei-fu has not as yet accepted the Japanese request to become the first President of the New Government.

MISCELLANEOUS:

Lieutenant General Shigeatsu Yamaoka, who was recalled to Japan from North China, arrived at Moji, Japan on the 6th.

The Army department of the Imperial Headquarters officially announced on the 9th, the appointment of General Sugiyama as the Supreme Commander of the Japanese Expeditionary forces in North China in place of General Count Terauchi.


J. S. McMAHAN
Major, U.S. Marine Corps,
Regimental Intelligence Officer.

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

HEADQUARTERS, FOURTH MARINES
 SHANGHAI, CHINA
 13 December, 1938

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 E.O. 11652, Sec. 3(E) and 5(D) or (E)
 OSD letter, May 3, 1973
 NARS Date Mar 19 1973

RESTRICTED

R-2 REPORT, PERIOD 0800 10 DECEMBER, TO 0800 13 DECEMBER, 1938

OPERATIONS

KWANGTUNG: Japanese forces continue pushing along the West River toward Chaoching. North of Canton, in the Tsunghua sector east of the Canton-Hankow railroad, the situation remains unchanged. The Chinese claimed the recapture of Waichow, east of Canton on December 9th. The Japanese are said to have moved west to Poklo.

HUNAN: Following attacks along the north bank of the Sintsiang River on the 8th, Japanese forces resumed the offensive on Chinese positions in this area east of the Canton-Hankow railroad the next day. Another Japanese force concentrating at Chiuling is said to have renewed the drive along the Hankow-Changsha highway toward Pingkiang. The Chinese are holding positions in the Marushan mountain range north of Pingkiang.

KIANGSU: Southeast of Hsuehchow the Chinese, after being driven further to the southeast during mopping-up operations, are now said to be concentrating around Hwaiian on the Grand Canal. Elaborate defense works have been prepared here, according to the Japanese. A Japanese army spokesman on 13 December announced that between November 15th and November 30th engagements with Chinese irregulars occurred in nine localities of Kiangsu, namely: Jusi, Changchow, Quinsan, Jukao (north of the Yangtze), Tungchow, Haiman, Chuansha in Pootung, Minghong and at Tsinpu west of Shanghai. In the operations a total of about 11,600 Chinese surrendered in the area between Shanghai and Lake Taihu.

SHANSI: Chinese troops scattered through the Chungtiaoshan mountain range in southwestern Shansi continue harassing the Japanese along the Tungpu railroad.

SHANTUNG: In a Japanese communique of the 12th the northern and western part of this province was announced cleared of guerillas as a result of mopping-up operations.

AVIATION

Chuanhsien station on the Hengyang-Kweilin railroad in Kwangsi province was attacked 10 December by Japanese planes. Also bombed were Chinese military vessels at Suikowshu on the West River in Kwangtung. On 11 December railroad locomotives at Yingtak on the Canton-Hankow railroad, in northern Kwangtung, were bombed. On the same day, in northern Hunan, Japanese Army planes again attacked Chinese positions in the Sintsiang vicinity.

POLITICAL

A third session of the Joint Commission of the Reformed Government of Central China and the Provisional Government of North China is to meet on Dec. 23rd to continue work on the amalgamation of the two governments into a Central Government of China. This 3rd session will be held in Peking.

J. S. McManis
 J. S. McMANIS
 Major, U.S. Marine Corps
 Regimental Intelligence Officer.

102

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

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HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

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

DSD letter, May 3, 1972

NARS Ltr

15 December, 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 13 DECEMBER, TO 0800 15 DECEMBER, 1938

OPERATIONS

IN HUPEH, fighting has been noted about 70 miles northwest of Hankow, where the Chinese claim the recapture of Tsaoshih and Cheho. In the southern part of the province, Japanese troops are said concentrating at Tungcheng.

IN NORTHEASTERN HUNAN the situation remains at a standstill.

IN SOUTHERN SHANSI, Chinese and Japanese troops clashed near Henglingchen on the 12th. It is believed in Chinese quarters that the Japanese are waiting for the Yellow river to freeze over before beginning a drive into southern Shensi.

IN KWANGTUNG, Japanese troops are reported concentrating in the West River area near Samshui. Other reports state that the Japanese forces on the East River are withdrawing toward the Canton-Howloon Railroad. Closely following up the withdrawing Japanese, the Chinese are nearing Tsengchen. Small clashes have also been noted southwest of Canton near Kaoming and Hoshan.

IN SHANTUNG, Japanese mopping up operations have shifted to the southwestern part of the province.

IN NORTHERN CHEKIANG, the Kashing vicinity is reported now cleared of Guerillas due to the efforts of Reformed Government troops. A Chinese report of the 13th claims the capture of Wuchen, north of Tsungteh, as well as Yenmou and Sinteng villages near Kashing.

IN KIANGSU, according to Chinese sources a drive against Chinese guerillas in Pootung has again been launched by the Japanese.

AVIATION

Japanese planes raided the communist bases at Yen-an and Yen-chwan in northern and northwestern Shensi on December 13th. The next day, in Central China, Japanese army aircraft attacked Lienli, 30 miles northwest of Yochow, Hunan.

J. S. McNAHAN
J. S. McNAHAN
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

JSM/jan

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

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

17 December, 1938

OSD letter, May 3, 1972

NARS Date

RESTRICTED

R-2 REPORT, PERIOD 0800 15 DECEMBER, TO 0800 17 DECEMBER, 1938

OPERATIONS

HUNAN: According to Chinese information, Maanshan and Shihtanpai, on the Hunan-Hupeh border have been recaptured by Chinese troops. This statement is taken with reserve. These troops are now consolidating their positions and preparing to advance northward on Tungcheng in southern Hupeh. The Japanese, it is further stated, have withdrawn their main forces northward to Tsungyang in southern Hupeh.

HUPEH: A communique from Hankow stated on the 15th that the Hankow Bund was the scene of considerable activity when Japanese mechanized Army units consisting of over a hundred tanks, apparently proceeding up the Yangtze, moved along the Bund. Japanese aerial reconnaissance units reported large scale withdrawals of Chinese troops are being made in the areas of Suihsien and Kingshan.

KWANGTUNG: It is stated that Generals Li Tsung-jin and Pai Chung-hsi, anticipating Japanese offensives on Kwangsi from Pakhoi in southwestern Kwangtung, have ordered the destruction of all bridges in western Kwangtung.

SHANSI: A guerilla leader by the name of Yuan Chen Fang along with 1,500 men recently surrendered to the Japanese garrison at Hanyangchen in the southern part of the province.

According to a Chinese report, units of the Chinese 8th Route Army successfully counter-attacked Japanese troops east of Wutai in northeastern Shansi on the 13th.

KIANGSU: Intensified anti-guerilla operations have occurred during the past ten days: in the area north of Hangchow (northern Chekiang); in the Pootung Peninsula; on Tungming island in the mouth of the Yangtze and in the area north of Nanking.

A conference of the Guerilla Commanders was held somewhere in the Kiangsu-Chekiang area on the 13th to discuss measures for strengthening their organizations, the institution of Political Training and the promotion of armed resistance by the local population.

A Japanese spokesman in Shanghai states that the re-organized 4th Route Army is being directed by a base located in Shanghai.

CHEKIANG: Chinese guerillas crossing the Fuchun River on the 12th launched an attack northwards against the Japanese garrison at Lingkiakiao on the Hangchow-Fuyang highway. To guard against counter-attacks the Japanese have erected defenses in the Fuyang sector.

AVIATION

Chinese planes raided Japanese positions in the East River sector of Kwangtung on the 13th. While flying over Szeiklung a Japanese squadron was encountered. In the engagement that followed one Japanese plane was shot down. All Chinese planes returned safely to their bases.

Yenan was heavily bombed by Japanese planes on the 13th.

- 2 -

Japanese planes mass bombed Chinese troop remnants in the Shangcheng sector of the Tapien mountains on the 14th. On the same day the Kienli sector, northwest of Yochow in Hupeh, was bombed. Army planes also aided anti-guerilla operations in Anhwei north of Anking.

Communist bases located at Ishui in southeastern Shantung, Yenai in northern Shensi, Wulannaopao in southwestern Suiyuan and Tahingkung in central Suiyuan were raided by Japanese army aircraft on 14 December.

On the 15th Japanese Naval bombers patrolling along the Canton-Hankow railroad attacked areas south of Shakow and Hotowyu stations.

Japanese Naval planes on the 13th carried out widespread bombing and reconnaissance flights over Samshui and at Yeungkong, on the sea coast in southwestern Kwangtung.

MISCELLANECUS

Changes in the high Japanese naval ranks were announced as follows on the 15th:

Vice Admiral Ichichi Shiozawa from CinC of Japanese Naval Forces in South China and ordered attached to Naval General Staff.

Rear Admiral Eihiro Kondo from CinC Japanese Yangtze River units transferred to Yokosuka Naval Base, under Vice Admiral Kiyoshi Hasegawa former CinC of Japanese China Seas Fleet.

Rear Admirals Takoshi Tokari, Minoru Tayui and Kiichi Endo to Buty with General Staff.

Rear Admiral Rokuro Horiye to command of 11th Combined Air Squadron.

Rear Admiral Ichiro Ono joins the Masumigaura Naval Air Station.

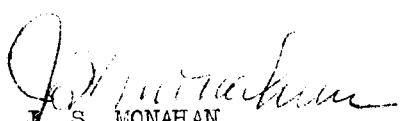
Rear Admiral Toshihisa Nakamura appointed Chief of Staff at Kure Naval Base.

Rear Admiral Koki Abe to head of the Naval Academy Faculty.

Rear Admiral Matome Ugaki becomes Chief of the Naval General Staff.

Mr. Masayuki Tani, Minister at Large in Shanghai, it was announced on the 15th, has been recalled to Japan. It is believed he will be appointed Ambassador to France in place of Dr. Yotaro Sugimura who is reported to be in poor health.

The "Asia Development Board" was inaugurated in Tokyo on 16 December. The new board will deal with the Political, Economic and Cultural affairs arising out of the present Sino-Japanese conflict. The heads of the board are: Lieutenant General Heisuke Yanagawa, the Secretary General; Major General Teiichi Suzuki, Director of the Political Bureau; Mr. Shinrokuro Hidaka, Director of the Economic Bureau; Mr. Takesuke Miyamoto, Director of the Technical Bureau.


J. S. MONAHAN
Major, U.S. Marine Corps
Regimental Intelligence Officer

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

JSI/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

20 December, 1936.

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

OSD letter, May 3, 1974

NARS Date

RESTRICTED

R-2 REPORT, PERIOD 0800 17 DECEMBER, TO 0800 20 DECEMBER, 1936

OPERATIONS

KUANGTUNG: Fighting between Chinese and Japanese forces in the area east of Canton along the East River continues to be reported. The Chinese alleged the capture of Tamshui and Pingshan in the area northwest and north of Bias Bay on the 16th.

SHANSI: A detachment of Japanese were reported attacked on the 12th by Chinese troops in the western part of the province at Lochengchen on the Taiyuan Fenyang highway.

Chinese remnants of the 40th, 41st and 42nd divisions were engaged by the Japanese about 10 miles northeast of Siahsien in southwestern Shansi recently.

On the 14th the Japanese claim Chinese troops of the 68th and 70th divisions were ambushed and routed on the Lishih-Liulinchen highway in the southwestern part of the province.

Troops of the 65th division were engaged near Wanhuan on the east bank of the Feng River on the 15th.

SHANTUNG: Japanese detachments reported a battle with guerillas west of Weishan Lake near the Shantung-Hiangsu border, north of Hsuehchow, December 12th. Chinese guerillas are reported active along the Piao-tsi railroad running between Tsingtao and Tsinan.

ANKWEI: Fighting between Japanese and Chinese troops on the south bank of the Yangtze east of Anking in the Tsingyang sector was noted from December 13th to the 16th.

A Japanese anti-guerilla drive was conducted December 10th and 11th against remnants of the Chinese 144th and 145th divisions operating about six miles southwest of Juhu. The Chinese are said to have withdrawn southeastward toward Nanling.

KANSU: The Japanese report that increased Soviet aid to China is noticeable at Lanchow where Soviet Officers and men are appearing. Large quantities of war materials are also said arriving here. It is further claimed by the Japanese that General Chiang Kai-shek has established the general headquarters of the 8th War Zone at Lanchow with himself as Commander-in-Chief and General Chu Shao-liang as his assistant.

1028

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

HUPIN: There has been no changes in the situation in the northern part of this province since last report. Sporadic fighting continues in the area south of Yocho and east along the Sui River in northwestern Liangsi.

HONAN: The Chinese still hold positions on the Pinghan railroad between Sinyang, near the Hupeh border, and Chengchow on the Yellow River. On the 13th, Chinese guerillas are reported to have attacked the Japanese garrison at Lanfeng 32 miles east of Kai-feng the provisional capital of Honan.

HLINGSU: During the mopping up operations north of Nanking (mentioned in last report) the Japanese claim they routed approximately 3,500 Chinese in the Liuho and Tienchang areas between the 8th and 16th of December. The Chinese withdrew northward. The Japanese announced on the 19th that the anti-guerilla drive, against the Chinese, on the Pootung Peninsula southeast of Shanghai begun on the 13th, has been completed.

HOPEI: A clash between Chinese guerillas and Japanese troops occurred near Hsiungshien east of Taoting in Central Hopei on December 12th.

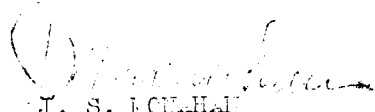
AVIATION: There have been no statements concerning Japanese aerial activity since the last report. Chinese planes however, were claimed active in the Canton vicinity on the 17th.

MISCELLANEOUS: General Pai Chung-hsi, Deputy Chief of the General Staff of the Chinese Army, declared to a Reuters Correspondent that the Chinese were about to change their tactics. Instead of attempting to fight positional warfare with the Japanese they are going to harass the Japanese in all areas similar to the tactics employed by the Chinese 8th Route Army in North China.

They are planning to resist on all fronts and will not attempt to hold any one point.

General Hsueh Ye, Group Army Commander, is slated for appointment of the Hunan Provincial Government, succeeding General Chang Chih-chung. Hsueh will also be appointed concurrently Commander-in-Chief of the Hupeh-Hunan War Zone.

General Iwaki Shih-ping has replaced the recently executed Pingpo garrison Commander.


J. S. McLAUGHLIN
Major, U.S. Marine Corps,
Regimental Intelligence Officer.

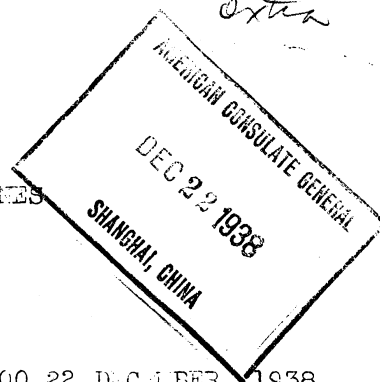
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Hueston NARS, Date 12-18-75

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
OSD letter, May 3, 1972
By Milton D. Hueston NARS Date May 19, 1973

JSM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

22 December, 1938



RESTRICTED

R-2 REPORT, PERIOD 0800 20 DECEMBER, TO 0800 22 DECEMBER, 1938

OPERATIONS

SHANTUNG: Japanese Naval Landing parties and members of a Peace Preservation Corps attacked Chinese troop remnants south-east of Chefoo on December 11th and 12th.

KUANGTUNG: In this province, Japanese Naval Landing parties have been occupied since December 14th in blasting Chinese pill-boxes along the Pearl River.

SHANSI: According to Japanese information remnants of the 104th and 178th Chinese Divisions have been scattered in South-western Shansi in the Sishsien, Changtienchen and Lin-i triangle. Japanese detachments also recently engaged Chinese irregulars near Tsinghochon. Lopping-up operations continue along the north bank of the Fen River near Sintien which is northeast of Hotsin. The Japanese are said to be constructing a highway from Hotsin to Yumen on the eastern bank of the Yellow River.

SUIYUAN: A Chinese communique states that Japanese garrisons at Painao in the Puyang sector of northern Suiyuan and at Paotow in the central part of the province on the western end of the Pingsui Railroad have been reinforced.

NAVAL

In Central China Japanese warships on the Yangtze continue their work of removing obstructions, such as mechanical mines, which have come to the surface due to a lower water level of the Yangtze.

AVIATION

From December 11th to 12th Japanese Naval Aircraft attacked Chinese remnants in areas southwest of Tengchow in Shantung and in northeastern Kiangsu. In Kuangtung, from the 15th to the 18th Naval Planes bombed the vicinities of Yeungton, Lukfung, Loyiu, Shaiowyu, Pakhoi and Kwantow. On the 19th, Japanese Army Planes bombed the Railroad at Lokchong, 142 miles north of Canton.

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

In addition bombing attacks were also carried out against Chinese troops entrenched north of Poklo and opposite Samshui to the west of Canton. On the same day Japanese Naval Planes bombed an iron Bridge on the Canton-Hankow Railroad, south of Shallowyu and Chinese military Junks near Yingtak. In southwestern Suiyuan Japanese Planes bombed the Taoliniao-Tungsheng districts on the 16th.

MISCELLANEOUS

The formation of a Canton Peace Maintenance Commission was officially announced in Canton on the 20th. This body succeeds the Provisional Committee of the Canton Peace Maintenance Commission organized on November 27th. The Japanese consider the new commission as the nucleus around which the new regime in South China will be built.

A reorganization of the Kwangtung Provincial Government has been ordered by the Chinese Central Government. In the reshuffle of personnel General Li Han-hwen is to replace General Lu Te-chen as governor of the province. General Li will hold concurrently the position of Commissioner of Civil Affairs of Kwangtung. General Yu Han-Mou will remain Deputy commissioner of Chinese forces in the province while General Chang Fa-kwei continues as the Commander-in-Chief of Chinese forces around Canton.

H. S. W. Little 1st Lieut.
for
J. S. MCNAHAN
Major, U.S. Marine Corps,
Regimental Intelligence Officer.

503

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

OSD letter, May 2, 1972

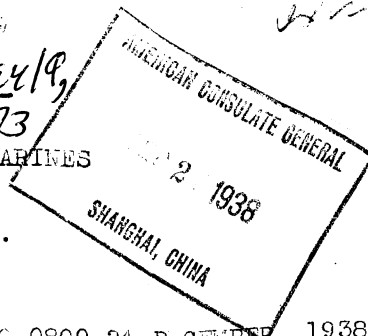
NARS

Mar 19,
1973

JSM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

24 December, 1938.



RESTRICTED

R-2 REPORT, PERIOD 0800 22 DECEMBER, TO 0800 24 DECEMBER, 1938

OPERATIONS

HOPEI: A Chinese report announces that passenger traffic has been suspended completely for several days on the Peiping-Maoning and Tientsin-Pukow railroads due to heavy troop movements. The report further states that an average of 6 troop trains per day totalling about 3,000 troops passed through Tientsin toward Manchuria the past week. This report is taken with reserve. Large Japanese troop movements, however, are admitted by the Japanese down the Pinghan railroad.

KWANGSI: IN anticipation of a Japanese invasion, this province has been divided into 12 guerilla districts. People living near lines of communication have been ordered to move into the interior taking their supplies with them and burning anything left behind. Students over 18 years of age have been organized into a corps for political work in conjunction with the Army.

SHANTUNG: According to a Chinese report Chinese guerillas are again active in the outskirts of Tientsin.

HUPEH: A Chinese communique from Chungking states that the Japanese have concentrated 5 Divisions near Hankow for the purpose of driving westwards along the Hankow-Ichang highway. Three newly formed Japanese Divisions are reported to have arrived in the Hankow area. In addition, two more are said to have left Japan for the same area.

Chinese guerillas were reported active in the Yingshan sector the 20th to the 22nd.

HONAN: It is reported through Chinese news services that fresh Japanese troops have begun advancing west along the Lung-hai railroad from the Chengchow sector.

NAVAL

A Chinese report of the 23rd from Hongkong states that more than 100 Japanese warships including armed cutters and transport ships have appeared off Pakhoi.

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

AVIATION

There have been no reports of bombing activities the last few days.

POLITICAL AND ECONOMIC

FISHERY QUESTION: The Japanese have claimed repeatedly that the Fishery Question must be settled before the first of the year. However, the case is now deadlocked with the Russians demanding that ten percent of the waters must be excluded for strategic reasons and that full purchase price of the Chinese Eastern Railway must be made by Manchukuo. Japan wishes to renew the convention under the treaty of Portsmouth and has considered recalling Ambassador Togo from Moscow in the event of failure. The fishing rights are necessary to the Japanese in the supply of Japan's staple diet and it is not believed she will permit their abolition. The Russians appear to take their present attitude as a retaliation for the Anti-comintern pact of November 1935.

ECONOMIC: Retaliation for the recent American and British credits may emerge from the United Council of the Provisional and Reformed Governments, which opened in Peiping on the 22nd of December. The reprisals are likely to take the form of upward revision of Tariffs on goods imported from these two countries, into the occupied areas.

The Japanese military authorities have found it necessary to postpone indefinitely the proposed merger of the various regional Governments into a Federal Government. This decision is necessary in view of their complete failure to persuade well known Chinese personnel to emerge as leaders.

(Note: The Map attached includes the period covered by the reports of the 20th, 22nd and the 24th.)

J. S. Monahan
 J. S. MONAHAN
 Major, U.S. Marine Corps,
 Regimental Intelligence Officer.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
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)
DSI letter, May 3, 1978
NARS Date Mar 19, 1973

JSM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

RESTRICTED

27 December, 1938

R-2 REPORT, PERIOD 0800 24 DECEMBER, TO 0800 27 DECEMBER, 1938

OPERATIONS

The fronts in South, Central and North China continue to be unchanged. In Central China, a Hankow report states, approximately 100,000 Japanese troops are assembled in the Luhan-Sin-yang-Yochow areas.

SHANSI: The Chinese have destroyed the tracks of the Tatung-Puchow railroad from a point 37 miles south of Taiyuan to Fenglingtu.

Continuing with mopping-up operations in the southwestern part of the province, the Japanese claim they have gained control of the hilly region on the north bank of the Fen River opposite Linfen. This was accomplished through the capture of four small towns west of Linfen on the 25th. On the same day in the central part of the province, other Japanese units attacked Chinese troops of the 72nd Division in an area 12 miles east of Taiku.

Chinese forces attempted to recapture positions near Fenglingtu near the Shansi-Shensi-Honan border.

ANHWEI: Bitter winter weather has caused fighting to cease in the Tsingyang sector, on the southern bank of the Yangtze east of Anking.

The following Chinese reports concerning Shantung, Honan and Hunan are taken with reserve.

SHANTUNG: Japanese troops recently attacked Chinese positions at Tancheng. The Chinese claim they succeeded in driving the Japanese northward to Tapuho 8 miles from Tancheng.

HONAN: Two regiments of Chinese puppet troops stationed at Taokow, the eastern terminus of the Taokow-Chinghua railroad in northern Honan, are reported to have turned against their Japanese Officers about the 23rd, slaughtered them, and then re-joined the Central Government.

HUNAN: The Chinese claim that Chinese troops are engaged in counter-attacking Japanese troops near Yochow. Katang is declared to have been captured.

HUPEH: Guerillas are reported to have been active west of Hankow the past few days.

AVIATION

The cities of Kweilin and Muchow in Kiangsi province and Sian in Shensi were bombed on the 24th by Japanese air squadrons. In addition military establishments in Kiangtung were bombed in the vicinity of Chikanpu and Sinchang on the bank of the Ching-tan River.

DECLASSIFIED: E.O. 11652, 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

Wang Ching-wei, Deputy General Executive of the Kuomintang, is reported to be in Hanoi.

POLITICAL

Soviet-Japanese Boundary Commission.

The Boundary Commission, set up after the August 1938 hostilities is entirely inactive and probably will never function. The Soviets have become the De Facto possessors of the disputed territory. Changkufeng Heights is the scene of extensive fortifications with trucks arriving and leaving at the rate of thirty per hour. Neutral observers state that from these heights Soviet artillery commands the Kirin Yuki railway and the Tumen river valley. The Japanese have withdrawn for at least five miles along this entire sector. The Japanese, last August, claimed to have occupied the disputed territory after inflicting severe losses upon the Russians. They now admit the existing situation, but offer no explanation.

Fishery Question:

Any hope the Japanese may have entertained, pertaining to a favorable settlement of the fishery dispute, vanished with the termination of the tenth and latest conference. The Russians declare that the grounds in question must come up for auction during the coming year, but refuse to specify conditions. In any event they state that ten percent (forty lots) must be entirely closed for strategic reasons. The Japanese Ambassador, in an attempt to reach an agreement, stated that Japan would agree to the forty lots providing the Soviets would concede to Japan, forty fishing lots now worked by Russian fishers. The Soviets, in reply, stated that only three of the forty lots might be made exceptions, nor could more than seven grounds come into question for an exchange. The Japanese Ambassador, in rejection to the Soviet proposal, pointed out that the new status would confine the Japanese fishing companies to the Sea of Japan. Moreover, that Japan would never accept the auctioning off of the grounds now worked by the Japanese.

[Signature]
 J. S. MONAHAN
 Major, U.S. Marine Corps,
 Regimental Intelligence Officer.

103

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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)

CSD letter, May 3, 1972

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

29 December, 1938.

JSk/am



RESTRICTED

R-2 REPORT, PERIOD 0800 27 DECEMBER, TO 0800 29 DECEMBER, 1938

OPERATIONS

NORTHERN HUMAN: The Chinese are reported to have renewed their offensive in the Yochow sector. However, the front lines in this sector remain practically the same.

KWANGTUNG: Fighting reported in this sector centers east and northeast of Canton around Tsengcheng. The Chinese continue to claim successes here.

KWANGSI: Japanese mopping-up operations around the base of Lushan Mountain, south of Kiuksiang were renewed on the 27th.

SHANSI: Yumenkow, a ferry point on the Yellow River was occupied by Japanese troops on the 26th, after driving off Chinese units which had been entrenched there for the past 6 months.

A southward drive against Chinese troops in Central Shansi commanded by General Yen Hsi-shan, former Pacification Commissioner, was reported begun on the 27th by four Japanese columns on a line running from Fenyang to Chunyang.

SOUTHEASTERN HUPEN: Guerillas are making nightly attacks on Hushihkiang near the Yanghsin sector.

KIANGSI: Chinese troops along the Siu River attacked the Japanese at Chelin on the 24th.

SHANSI: Japanese infantry units attacked Chinese positions at Pingtaotow, north of Asiung in southeastern Shansi, on the 26th. The Chinese succeeded in driving them off after severe hand to hand fighting. In southwestern Shansi during the past few days Japanese artillery has incessantly shelled the Lunghai railroad near Tungkwan as well as the outskirts of the latter city. Chinese troops crossing the Yellow River have claimed the recapture of several villages near Fenglingtu.

AVIATION

Japanese army planes from Paotow in Suiyuan raided Tengchow in eastern Ninghsia on the 23rd. The next day they bombed Wulan-naopao and Mukiaho in western Suiyuan.

Sian in Shensi and Kweilin in Kwangsi were raided by Japanese planes on the 24th.

According to a Chungking report 36 Japanese planes, on 26 December, were seen heading toward this city. A squadron of 12 of these bombed a village northwest of Chungking; the remaining 24 circled north of the city finally returned to their base without attacking the Chinese Capital. A Japanese report from Hankow states that Chungking was heavily bombed on the 26th.

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

Nanyung aerodrome in northern Kwangtung was attacked on the 26th. The following day Japanese naval aircraft raided Liuchow, a Chinese aerodrome in central Kwangsi.

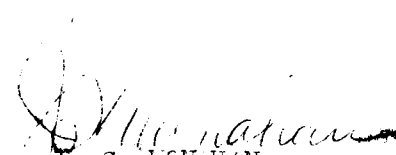
Other Kwangtung cities bombed recently include Yingtak and Lukpo (western Kwangtung).

On the 26th and 27th Japanese army airplanes bombed and strafed Chinese troops in the area east and northeast of Tsengcheng, northeast of Canton.

POLITICAL

The French Government on December twentieth prohibited the transportation of war supplies to China by way of Indo China. Since the fall of Canton the French Colony has been the major channel of imported war materials. This prohibition is causing sixteen thousand tons of badly needed Guns, Ammunition, Explosives and Airplane parts to lie useless at Haiphong, the Indo China terminal of the Yunnanfu railway. Fourteen hundred trucks, mostly American, are rapidly deteriorating at the border as a result of the French ban. Last week the French modified the ban to permit one hundred trucks to cross the border each month. This number is hopelessly inadequate and has caused the Chinese to turn to the costly transfer of the material to Burma for entrance into China over the Burma-Yunnan highway. The French authorities have not entirely closed down on the supplies entering China but the quantity is very small. It is thought that the reason, for French restrictions being in force, is to keep the Japanese from occupying the island of Haimen which strategically dominates Indo China as a possible Japanese naval base. The feeling is that as long as the French do not permit large quantities of supplies to be transported into China the Japanese will leave Haimen island alone. Some supplies are slipped surreptitiously through to China, however, there are so many Japanese agents in Indo China that they are immediately aware of any large shipment and make protests to the Paris authorities.

The Burma Government stated it is unaware of any obligation to interfere with the transfer of war supplies. Supplies will be transferred over the Burma Yunnan railway until such time as this trade has an adverse effect upon the people of Burma.


 J. S. MCNAHAN
 Major, U.S. Marine Corps,
 Regimental Intelligence Officer.

103

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

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

OSD letter, May 3, 1973
By William D. Hueston NARS, Date Mar 19/1973

JSM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

31 December, 1938

RESTRICTED

R-2 REPORT, PERIOD 0800 29 DECEMBER, TO 0800 31 DECEMBER, 1938

OPERATIONS

SHANSI: Detachments of Japanese troops operating in the area northwest of Linfen in the southwestern part of the province captured important positions at Taining on the 29th. Previous to the capture of the latter city the towns of Puhsien and Wucheng were taken.

Operations against Chinese stragglers in the Hotsin vicinity in the area about Yumenkou continue. A Japanese column moving from the Hotsin area took Chienchiachen, a ferry point on the Yellow River.

The Japanese columns which started south from Fengyang and Chungyang (mentioned in last report) are reported to have routed Chinese troops near Wenshuayan.

IN HUPEH, NORTHERN HUNAN AND IN KWANGTUNG: The military situation remains unchanged. In the latter province it appears however that both sides are busily engaged in concentrating troops and otherwise preparing for a Japanese offensive.

KIANGSU: The Japanese garrison stationed at Soochow conducted a guerilla drive on the 24th and 25th.

HOPEI: Two Japanese freight trains carrying military supplies on the Pinghan railroad were derailed north of Paoing on the 29th. The rolling stock was badly damaged. The number of casualties is unknown.

MISCELLANEOUS

A communique from Paris, France states that, in view of the Soviet-Japanese tension growing out of the dispute over fisheries, the Soviet government has sent 50,000 troops as reinforcements to Vladivostok.

A Peiping report states that all freight and passenger traffic on the Pinghan railroad (north to south) has been stopped since the 24th of December due to Japanese troop movements.

AVIATION

Japanese Naval aircraft operating in North China bombed villages in northeastern Kiangsu on the 26th and 27th.

Kweiyang, in Kweichow province was raided on the 29th of December by Japanese Army airplanes which had previously bombed Chungking, and Liangshan in Szechwan; and, Ichang and Enshih in western Hupeh. On the return trip to their bases these planes attacked Changteh, Taoyuan and Lungyang in northern Hunan.

Japanese Army planes are working in conjunction with land troops in Shansi mopping up drives. They recently bombed Taining, Lihhsien, and Sihhsien.

Kweilin in Kwangsi was heavily bombed on the 29th. On the same day other Japanese planes attacked the cities of Chuchiang and Lienchiang, in northern Kwangtung.

D. S. MCNAHAN
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

DOCUMENT FILE

NOTE

SEE847.00/289..... FOR Despatch #311.....

FROM Sydney, N.S.W. (Wilson) DATED Jan. 7, 1939

TO NAME 1-1127 ***

REGARDING: Relations between Japan and China. Comment in the press on Japan which is seldom of a sympathetic nature; troubles in China are regarded with general sympathy for that nation and little for Japan.

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14717 -

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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

- 23 -

FOREIGN.

Japan. Throughout the month Japan has, in one way or another, been the source of a good deal of comment by the press. It is seldom that such comment is of a sympathetic character. Troubles in China are regarded with general sympathy for that nation and little for Japan - but with complete general satisfaction that Japan, being thoroughly occupied as she is, is becoming less of a menace to Australia. Recently an unconfirmed story of a Japanese bribe of something like £20,000 being offered to the Premier of Queensland, Mr. Forgan Smith, was circulated and given some consideration without anything having come from it up to the present. It is alleged that this was part of the Japanese attempt to gain control of iron ore deposits on Queensland islands and the DAILY NEWS gives some countenance to a statement that a spy organization exists that is centered around "a man living in Brisbane" who is stated to be the guiding mind behind a fleet of Japanese sampans systematically charting the Queensland coast and Barrier Reef. The allegation that this same person controls an Australian drug ring is also made.

A brief statement of Tokyo dateline of December 30 to the effect that the Ministry of Communications expects before long to complete arrangements for a Japanese-Australian through airmail by way of Taihoku and Bangkok has caused comment. If the plan develops it may have an important bearing on the Commonwealth Government's atti-

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

- 24 -

tude towards the application of the Royal Dutch lines to extend its Holland-Java line from Batavia to Sydney, because, if the Commonwealth Government permits the Dutch line to begin an air service between Holland and Australia, it will find it difficult to refuse landing rights to French, German and Japanese services. An early decision on the part of the Commonwealth Government is not expected.

Under a Noumea dateline of December 29, the SYDNEY MORNING HERALD (December 30) published the following in connection with the export of metals from New Caledonia to Japan:

"The Japanese-owned iron mines at Goro, New Caledonia, are ready to forward their first shipments, amounting to 26,500 tons, on three ships, which are expected on December 30 and January 3 and 5. A Japanese steamship left Noumea for Japan on Boxing Day with 1,344 tons of nickel ore and 500 tons of scrap iron. A German steamship arrived at Noumea on December 28 to load 4,000 tons of nickel ore for Krupps. A Japanese steamer is expected on January 12 with 1,700 tons of material to modernise the nickel works at Kua, on the east coast."

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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, December 6, 1938.

No. 100.

Subject: Actual Control in Territory Occupied
by Japanese Forces.

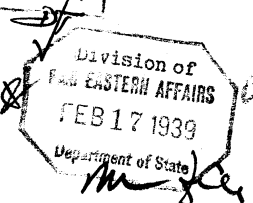
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1939 FEB 16 PM 2 57

DIVISION OF
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AND RECORDS

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Article	For	To File	In U.S.A.
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793.94

793.94/14718

The Honorable
The Secretary of State,
Washington.

Sir:

1/ I have the honor to enclose a copy of a news release
by the semi-official Central News Agency dated November 16,
1938, purporting to give an estimate by the Executive Yuan
of the portions of China's territory nominally occupied by
Japanese forces that are under Japanese and Chinese actual
control, respectively.

It will be noted that according to this estimate in
nine provinces under Japanese military occupation in the

month

F/FG 14718


704
DECLASSIFIED: E.O. 11652, 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 -

month of October the Chinese Government asserted its complete control of more than 61% of the total number of districts and partial control of over 31%, while it conceded complete Japanese control of between 7% and 8%.

Respectfully yours,

Nelson Truster Johnson
Nelson Truster Johnson.

Enclosure: 

1/ Copy of news release
as stated.

Original and two copies to the Department
Copy to American Embassy at Peiping.

800

WRP:MCL

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

Enclosure No. 1
 To despatch No.100
 Dated Dec. 6, 1938

EXECUTIVE YUAN PUBLISHES STATISTICS REGARDING
 DISTRICT ADMINISTRATION IN "OCCUPIED" AREAS

Chungking, Nov. 16: On the basis of reports received from nine Provincial Governments in the "occupied" areas in the first part of October, the Executive Yuan has just published statistics in regard to hsien or district administration in those areas.

The number of districts in which the Chinese Government still exercises complete political control in the nine provinces of Kiangsu, Chekiang, Anhwei, Kiangsi, Shantung, Honan, Shansi, Hupeh and Hopei is 489 or 61.44% and partial control, 248 or 31.15% out of a total of 796 districts.

The number of districts under complete Japanese control is the biggest in Hopei or about 44 out of a total of 132 districts. The Japanese also control 9 districts in Kiangsu, 2 in Chekiang, 3 in Honan and 1 in Shansi. In other words, the number of districts under complete Japanese control amounts to 7.41%.

In the compilation of these statistics municipalities such as Shanghai, Nanking, Hangchow, Tsinan, Hankow and Tsingtao are not included.

The following table shows the total number of districts in each province, the number of districts under complete Chinese control, those under partial Chinese control and those under complete Japanese control, together with percentages:

TABLE

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

- 2 -

TABLE SHOWING CONDITIONS IN "OCCUPIED" AREAS
(up to October, 1938)

Province	Total Number of Dis- tricts	Under Complete Chinese Control	Per- cent- age	Under Partial Chinese Control	Per- cent- age	Under Complete Japanese Control	Per- cent- age
Kiangsu	61	16	27	36	59	9	14
Chekiang	75	61	81	12	16	2	3
Anhwei	62	41	66	21	34		
Kiangsi	83	78	94	5	6		
Shantung	107	73	70	34	30		
Honan	111	66	59	42	39	3	3
Shansi	95	46	44	48	55	1	1
Hupei	70	60	86	10	14		
Hopei	132	48	36	40	30	44	33
Total	796	489	61.44	248	31.15	59	7.41

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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 28, 1939

JWB:

Hankow's despatch no. 541 of December 21, 1938, encloses a copy in translation of an article purportedly written by General Doihara and published at Hankow which attempts to show that Japan is fighting for the sake of China. The point of the article is contained in the sentence which reads: "this incident may be called a war of renaissance in the Orient to oppose the Occidental civilization".

The article is interesting as showing how the Japanese military employ a vague and unconvincing idealism to cloak its militarism.

FE:Sales ^{no} copy:HJN

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

No. 541.

AMERICAN CONSULATE GENERAL

Hankow, China, December 21, 1938.

Subject: Transmitting Newspaper Article by
General Doihara on the Basic Prin-
ciples of Japan's Attitude toward
China.

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DEPARTMENT OF STATE
JAN 1 1939

The Honorable
The Secretary of State,
Washington.

ONI-MID

Sir:

I have the honor to transmit herewith a trans-
lation made in this office of an article published
in the WUHAN PAO, Hankow, on December 13 and 14,
1938. The article which purports to have been
written by General Doihara is an exposition of the
basic principles which underlie the present attitude
of Japan toward China. While it is not unlikely
that articles of the same tenor have appeared in the
press in Japan and elsewhere and so been made avail-
able to the Department, the enclosed article may be
of interest in that it appears to have been written
for Chinese and to a certain extent for Japanese who
are opposed to the China "incident". The WUHAN PAO
is the only newspaper at present published in Chinese
in the Wuhan area, and therefore enjoys a monopoly
among the Chinese living here.

The main argument advanced is that Japan is
fighting for the freedom of the Orient and for an
Oriental renaissance. The history of the Orient since
the end of the 19th century has been a history of
plunder

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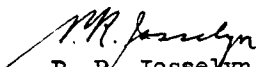
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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

-2-

plunder and conquest by Occidental countries. However, the continental policy of Japan, while it may seem similar to that of the Occidental nations, has been to build up the Orient for the Oriental races. Japan assumed this responsibility because it had more than other Oriental countries, imbibed western civilization and had at the same time preserved the Buddistic and Confucian cultures of India and China. Totalitarianism, as it exists in the west, is not suitable for the Orient, but a totalitarianism which is akin to the clan and village systems of the Orient with emphasis on mutual help and neighborly love would make a kind of universal and brotherly State which would be vastly beneficial to Oriental civilization and culture. If Japan should fail in the present war the Orient would relapse into a state of slavery to the Occidental peoples from which it could never hope to emerge. On the other hand if Japan is victorious there will be no oppression for the "new China". So runs the argument.

Respectfully yours,


P. R. Josselyn
American Consul General

Enclosure:

Translation of an article appearing in the
WUHAN PAO, Hankow, December 13, and 14, 1938.

Original and 4 copies to Department;
Copy to Embassy, Peiping;
Copy to Embassy, Chungking;
Copy to Embassy, Tokyo.

800

PRJ/MYH

DECLASSIFIED: E.O. 11652, 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 to despatch No. 541, December 21, 1938, from
 Consul General P. R. Josselyn, Hankow, China, to the
 Department of State, Washington, Transmitting Newspaper
 Article by General Doihara on the Basic Principles of
 Japan's Attitude toward China.

Translation of an article appearing in the WUHAN PAO,
 Hankow, December 13, and 14, 1938.

Basic principles of the Japanese Nation toward China;
The present incident is a war of renaissance, by
General Doihara.

The present incident is really a war of renaissance.
 The press in Europe and America, which does not under-
 stand this point and which refuses to understand it -
 under the mask of a destroyer of civilization or in the
 name of humanitarianism - raises objection to the
 military activities in China by the Japanese Empire. In
 addition, those Chinese culturalists who have imbibed
 European and American thought and who cannot free them-
 selves therefrom, have mistaken as aggression Japan's
 attempt to obtain joint existence and joint prosperity
 of Japan and China and to secure real peace for the
 races in the Orient, and have seen fit to take unplanned
 provocative activities. A part of the culturalists of
 Japan also take war and culture as opposite things; they
 consider their Mother country's war with suspicion and
 have turned anarchists or communists.

This attitude is caused by a lack on their part of
 appreciation of the cultural, political, or economic
 history of the incident.

Although the direct cause of this incident was the
 clash between Japanese and Chinese armies at Lou Kou
 Chiao, yet in the background there are great historic
 causes which concern culture, politics and economics.

A glance over the Modern History of the Orient will
 convince one of this point. Since the last days of the
 19th century, most of the modern history of the Orient
 is of plunder and conquest by Occidental countries. The
 plunder and conquest by Occidental countries in the
 Orient, with the exception of Japan, have reduced all
 the races east and west of Japan to slavery so far as
 their accomplishments from primitive ages, their liveli-
 hood, property, and culture are concerned.

During the conquest of the Orient by the Occident,
 the former imbibed new culture of the Occident, creating
 the possibility of turning Occidental property and
 livelihood into Oriental. On the other hand only Japan
 has been able to preserve the civilization and tradition
 of the Orient.

Consequently, although Japan has ostensibly adopted
 a policy similar to the continental policy of the
 Occidental countries, yet its purpose and position are
 quite different. The development of the continental
 policy of the Occidental countries in the Orient is not

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

-2-

only ambitious for plunder and conquest, but also quite unreasonable. But the development of the continental policy of Japan is for the purpose of building up the Orient for the races in the Orient. The special point in this object and reasoning may be seen from the decrease in the population of India and the increase in the population of Formosa, Korea and Manchuria. Japan has resolutely concluded that it is imperative to realize this theory with noble spirit and self-awakening. This resolution was made at the time of the Manchuria Incident. Ever since Japan has gambled for this super-national idea at the sacrifice of the fate of the country. This Japanese-Chinese incident is an extension of Japan's efforts along this line. If so, with the Manchurian incident as a turning point, why cannot Japan seek to exist for the establishment of the Orient for the races of the Orient and to perform this historic mission for them?

The following points may be dwelt upon. Since the European War the democratic civilization which formed the basis of culture, politics, and economics of the modern world has lost its progressiveness. It has succeeded in bringing the world into rivalry and confusion, but no country in the world today has proposed any means which may bring relief for the disaster from rivalry and the clash of rights. Thus the entire world has fallen into a state of disorder. The Orient suffers especially from this oppression.

At first Japan not only attempted to save the Orient from such disorder and confusion in the world, but hoped to contribute to the new world order and new peace, hence the Manchurian incident and the present incident, and war therefrom. Only Japan in the Orient can undertake this mission and can assume this responsibility. Why? Because Japan is the country which has imbibed most of civilization of the modern world, and it has preserved most satisfactorily Buddhist culture of India and Confucian culture of China of the Oriental civilization, and has used them as most important essentials in the livelihood of the people.

Since the Manchurian incident, Japan has begun a war of renaissance in order to emancipate Oriental civilization, which has been under the domination of the Occidental countries since the end of the 19th century and to create a new Oriental civilization for the Oriental races. Only through a victory in this war of renaissance can the livelihood and property of the races in the Orient be saved from the oppression of the Occidental countries.

Among those who do not appreciate the present realistic situation of Oriental civilization are the Chinese intelligentsia, students, and all the anti-Japanese elements. The person who does not wish to appreciate it is Tagore of India.

The

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

-3-

The democratic idea in the Occident is coming to its last day and has lost its ability to save the world from its present danger. But Chiang Kai-shek is attempting to develop China on the basis of democracy, and at the same time does not know the present and future of the objective history of a division of power and the direction of the current thereof toward America, Europe and Asia.

Since Chiang Kai-shek has made this mistake, although Japan and China should cooperate for the Orient, yet the two countries have taken antagonistic positions toward each other, hence the present incident. Especially the Chinese intelligentsia and students, having been affected by thinking of the Third Internationale and the Chinese Communist Party and by the so-called colonial and semi-colonial racial emancipation - a measure adopted to turn the world communistic - which is emphasized by Moscow, seek China's development by a war with Japan. When they blindly took the adventure, the conflict between China and Japan has become inescapable.

Hence, it may be stated that Japan, by fighting this incident, is lodging a protest against the unprogressiveness of democracy and against the Occident which is oppressing Oriental civilization through the instrumentality of Chiang Kai-shek at the instigation of the Bolsheviks. These take the Orient to be an area for communistic confusion and disorder and to this end make use of the Chinese intelligentsia and students.

Therefore, this incident may be called a war of renaissance in the Orient to oppose the Occidental civilization.

The reason why Japan has taken this incident as a cause for the war of renaissance in the Orient or the compulsory cause for the war may be seen from the objective current of the world today.

On the basis of movements of nomadic tribes and the movements of rights, capital, and commercial commodities the political and economic thoughts of the Occident have developed to date, and now liberalism, democracy, socialism, and communism have appeared. But these isms have long knocked their heads against the wall, and the collective security produced by these isms has become bankrupt. Up to date no ism has been produced in Europe or America which can save the entirely bankrupt world order. At most only a proposal has been made to the world i.e. totalitarianism. Can this ism assume the responsibility?

Generally speaking, Occidental thoughts have come from a combination of nomadic life and development of rights, capital, and commercial commodities. Throughout the history of Occidental thought is materialism, individualism, rival thoughts, and the doctrine of rights.

These

1051

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

-4-

These thoughts and isms at most can only cause repetition of disputes between races, wars between countries, and class struggles. Therefore, the latest and newest thought produced by these Occidental thoughts and isms - totalitarianism - contains all kinds of problems.

In order to bring the world out of disorder and to make it an orderly world, it is necessary that totalitarianism should remain. Especially it seems that at present the world is on the line of danger; all the countries are ready for war, or are fighting. It is the more necessary that totalitarianism should rule. Or it may be stated that modern war itself has made totalitarianism natural, but irrespective of conditions, a so-called orderly world of course can embrace the various governments and races of the world and safeguard their peace and happiness.

According to this sense, the so-called totalitarianism must be a world doctrine which can extend relief to the world.

But a totalitarianism which comes out of materialism, individualism, rival thoughts, and the doctrine of rights cannot extend relief to the world. If so, where can a totalitarianism, which can save the world and is genuine, be found?

It is to be found in the clan system of the Orient.

The clan system of the Orient is different from the nomadic life in the Occident or the thought arising from rights, capital and commercial commodities. It has developed from a fixed and immovable land and agricultural life.

In primitive ages villages were built up; the people used land as their life field and were busy in farming. In order to protect their land and property, the clans and families would cooperate in their struggles against disasters and calamities and the spread of sickness. The rights and privileges of the people of a village surpass those of an individual. A village while standing in the clan totalitarianism forms a part of the race, and while standing in the super-clan is an individual village, and while standing in the country it is a super-village.

In the patriarchal system there exist relations of orders, power, responsibility, obedience, obligations, and reliance, but in the clan system, totalitarianism stands not only in a superior position, but also on equal opportunities. This relation is most mysterious and is growing organically. Especially is this true with spiritualism among Japanese. They take persons as their neighbors, they love animals and things, they serve society, and they are ready to sacrifice their lives for their country. These have come from the clan system. Therefore clan system may be called totalitarianism, or universalism.

Chiang

-5-

Chiang Kai-shek only for the sake of his military tactics saw fit to break the dikes of the Yellow River and the Yangtze River, thus drowning his own nationals as well as their property. On the other hand, the Japanese troops, who were being drowned, risked their own lives to save the good people of China from the floods, as well as their property. This shows that it is not individualism of the Occident or materialism which are the basis of Chiang Kai-shek's thinking, which saves China and the world, but that it is totalitarian thinking, spiritualism, and the universalism of the clan system, on which the Japanese officers and men base their thinking, which can save China and the world.

Communists, counter-revolutionists, or political offenders in the Occident, irrespective of their being compatriots or not, are all cruelly executed, but Japan permits them to turn to the road of self-reform and expects them to become those who can work for the country. This is simply due to the clan system, which teaches love for neighbors and animals or articles, and service for society, and sacrifice for the country.

If such is the case, to use civilization, tradition and history preserved by the clan system of the Orient as a motive force for the development of new history, is inevitably considered as an important problem of the creation of a new civilization in the Orient.

According to the foregoing, Japan is pursuing the present war in order to save China and the world. At the same time this war of renaissance of the Orient is for the purpose of building up a new and a world civilization.

According to this it may be seen that this incident is not merely a destructive war. When monasteries, schools, or libraries at the battle fields were destroyed by bombs, it is assumed that war destroys civilization. And when anti-Japanese Chinese troops were seen exterminated by the Japanese troops, it is harshly stated that the Chinese race is being exterminated. These persons have not investigated war and civilization, and have not taken any cognizance of the meaning of this incident in the history of civilization.

It is needless to say that there have been in history purely destructive wars, but it is not right to deny, on this account, the relationship of progress to wars for civilization.

In the Sino-Japanese and Russo-Japanese wars Japan fought risky wars, with the result that it has been able to stand among world powers, and has attained the position of a director of relief to the aggrieved of the world. This has become the basis of modern civilization in Japan. Even the Russo-Japanese war, in which Russia was defeated, convinced the people of Russia of the meaning of the history of constitutional civilization.

Moreover

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

-6-

Moreover today Japan is fighting for the renaissance of Oriental civilization. There is no inconsistency between this incident and civilization. Simply because of this, the civilized people of Japan should take up the responsibility of fighting and dying for civilization in the present war.

In the extension and development of the war situation, the war has undergone a change in nature. The victory or failure of this war is not only the key to cultural life and the life or death of Japan, passively speaking, but this war has become a war of Oriental culture and of life and death. Therefore whether or not the culturists of Japan can struggle until death and can secure victory in this war of culture is an important deciding factor in the history of the world.

If the Japanese culturists fail in the cultural war, then the Orient will completely and perpetually fail and be oppressed by Occidental culture. But this is not the only question.

When that is the case, the Orient will surely be placed under a condition of slavery forever and will be doomed to an order, which will be beneficial only to the Occident. This order is now unlawful and improper, and has been based since the 19th century upon plunder and conquest.

Moreover Occidental civilization has come to a dilapidated condition, bankrupt, and degenerate. From it the Orient cannot get any favor, happiness or progress. Therefore all that can be reached is to knock our heads against the wall, bankruptcy, and degeneration.

On the contrary if the Japanese culturists can obtain victory, Japan will be able to fix, to direct, and to construct and there will be no tendency to oppress new China. The New Order of the Orient and the New Politic Body of the Orient, to be constructed for the Oriental races will be decided upon, and important contributions to the peace and culture of the world will be made.

For this reason the Japanese culturists should in the spirit of the Japanese officers and men, sacrifice their lives for the country, and struggle for victory in military operations. On the basis of securing Japanese progress in the Orient should be established the standard of action which Japan must develop for the Orient, that is to say, Japanese culturalists should struggle for culture by offering their lives for their country and winning the war.

From the points described above it is plain that military affairs, culture, politics, and economics cannot be separated; they can decide the real victory in a war. The saying that war is the mother of civilization is because military affairs and culture are closely

related.

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

-7-

related. Therefore whoever advocates disarmament for the sake of culture, and those who advocate reduction in education for the sake of military affairs have not obtained a proper knowledge that military affairs can develop a positive and constructive power in culture. They have placed war and culture in mutually antagonistic positions.

Therefore, finally I will say again that Japan must secure victory in this incident, which is a holy war. In order to obtain this object it must engage in a cultural war and secure a victory in this cultural war. The victory in this cultural war will not only show Japan's development, but by it the Orient will give to the world an ideal example.

(The Chinese text, having been translated from Japanese, is not clear for translation into English.)

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

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COMSOPAT

February 17, 1939

DEPARTMENT OF STATE

FROM Rec'd 6 a.m.

ACTION: CINCAF (FLAG & ADMIN)

INFO: AMCON CANTON
ASTALUSNA SHANGHAI
AMAMBASSADOR CHINA
USS MINDANAO
FOURTH MARINES

0016. Your 0016 1405 Hoihow and Kiungchow WERE

occupied on tenth with practically no opposition and very little damage. Situation quiet with satisfactory food and health conditions. American Presbyterian Mission caring for approximately three thousand refugees. All third power nationals in these two places well and properties intact. Japanese authorities state they will give adequate protection and assistance. Port of Hoihow closed commercially at present. Sama and Yulin Bays in south of Island occupied on fourteenth. At Kachek, in the interior, there are seven American adults and eight children at the American Presbyterian Mission. At Nodoca there are five American adults and three children connected with the Presbyterian Mission. At present communications are interrupted with these two places and Hoihow. Japanese authorities have stated that they will verify situation of our nationals at both places at first opportunity and will facilitate the transmission of a report in regard to them. 2122.

DDM

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SERVICE ADMINISTRATION

FEB 20 1939

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FEB 21 1939

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

*copy sent to
Treasury
KOR*

5438

TELEGRAM RECEIVED

EDA

GRAY

FROM TOKYO

Dated February 17, 1939

Received 7:08 a.m.

Secretary of State
Washington

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Division of
FAR EASTERN AFFAIRS
FEB 17 1939
Department of State

95, February 17, 7 p.m.
Department's 40, February 15, 8 p.m.

Instructions carried out in an interview with the
Minister for Foreign Affairs this afternoon.

The Minister said that the purpose of the occupa-
tion of Hainan Island is to strengthen the blockade of the
South China coast and to hasten the suppression of the
Chiang Kai Shek "regime". Arita repeated the former
statements of the Japanese Government that Japan has
no territorial ambitions in China and added that the
occupation "will not go beyond military necessity".

GREW

RR:WIC

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



February 20, 1939

~~JWB:~~
~~MBR:~~

Reference Consul Jarvis' report entitled "Developments in French Indo-China in connection with the Sino-Japanese Conflict" submitted from Shanghai under date of January 13.

Consul Jarvis visited Haiphong and Hanoi, Langson and Dong Dang (on the Kwangsi border) and Pakhoi in Kwangtung. His report indicates (1) that the Haiphong-Yunnanfu Railway's capacity is to be increased from 7,000 metric tons a month to 10,000 metric tons a month; (2) that the docks of Haiphong are congested with freight awaiting shipment; (3) that work is progressing rapidly on a railway from Dong Dang north through Kwangsi Province; (4) that the motor road from Dong Dang north to Nanning is "not bad", and that foreigners have driven from Hanoi to Chungking in four days; (5) that the motor road is just beginning to be appreciated and exploited as a means for making shipments, especially petroleum products, into China; (6) and that, in connection with French restrictions on the transit of war material through Indochina, there has been some confusion in the matter of shipping motor cars and trucks, but that motor vehicles now are apparently being allowed to pass in transit. At Pakhoi Mr. Jarvis found that about

90 percent

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

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DIVISION OF FAR EASTERN AFFAIRS

-2-

90 percent of the population had fled and that about 80 percent of the shops had closed because of the fear of Japanese occupation. Fifteen foreigners are residing there, including two Americans (the Commissioner of Customs and his wife).

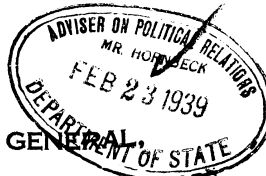
In conclusion, Mr. Jarvis remarks that the general French attitude in Tonkin "seems to be less one of sympathy with China than dislike of Japan".

FE:Vincent:HJN

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AMERICAN CONSULATE GENERAL



PAH
EU

Shanghai, China, January 13, 1939.
1939 FEB 17 1939

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COMMUNICATIONS
AND RECORDS

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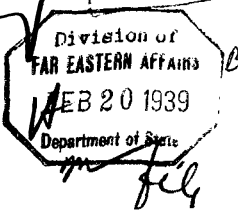
SUBJECT: Developments in French Indo-China
in connection with the Sino-Japanese
Conflict.

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THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON, D.C.



SIR:
DEPARTMENT OF STATE
FEB 28 1939
ASSISTANT SECRETARY
OF STATE

I have the honor to submit the following observations on recent developments in French Indo-China in connection with the Sino-Japanese conflict as noticed on my visit to Tonkin. During my stay of a week (December 15-22) I visited Haiphong, the chief port; Hanoi, the capital (and also the seat of the Government of the Union of French Indo-China); Tam Dao, the summer capital; Langson and Dong Dang, on the Kwangsi border; and, on my way back to Hong Kong, Pakhoi, in southwestern Kwangtung.

Since the fall of Canton and severing of the main artery of communication Tonkin, whose northern frontiers march with the borders of southwestern Kwangtung, southern Kwangsi and southern Yunnan, offers the most direct access to that part of China not occupied by the Japanese. The two main avenues are northwest into Yunnan, by the railway that runs from Haiphong to

Yunnanfu

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

- 2 -

Yunnanfu and links Yunnan with the sea, and north into Kwangsi through Port de Chine, the historic gateway between China and Tonkin.

Haiphong-Yunnanfu Railway.

The Haiphong-Yunnanfu Railway is a metre-gauge, single track line, 863 kilometres in length. Its limited capacity, the remoteness of its Chinese terminus, the difficulties of transport from Yunnanfu to Central China, and the attitude of the French authorities made it relatively unimportant as long as the Canton-Kowloon and Canton-Hankow railways were bringing in supplies. It is now, however, the only railway connecting the territory under control of the Chinese Government with a neutral port, and the question of its capacity and use have become important.

I was given various estimates of the railway's capacity ranging from 7,000 metric tons a month to 400 tons a day, the most circumstantial stating that 7,000 tons a month was the normal capacity, that this had been increased, by the use of 4th class passenger cars for freight, to 8,000 tons, and that it would be increased still further to 10,000 tons through the purchase of new cars, in April. A railway official told me that 50 new cars had been ordered.

Whatever its present capacity there is no doubt that the railway is unable to meet the demands being made on it. The docks at Haiphong were congested with freight awaiting shipment, one estimate putting the amount as high as 20,000-25,000 tons, and the railway also

reported

106

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

- 3 -

reported congestion at Yunnanfu due to a shortage of trucks with which to haul goods away. Some of the congestion at Haiphong may be ascribed to restrictions imposed by the French authorities on the transit of war material.

Access to Kwangsi.

Kwangsi is more accessible than Yunnan from Haiphong; both the railway and a good motor road go as far as the border, and it is only six hours by car from Haiphong to Dong Dang. A new railway is being constructed from Dong Dang through Kwangsi to connect with the recently completed Changsha-Kweilin line. Work on this new line is progressing rapidly; much of the roadbed has been completed and rails were being laid north from Dong Dang when I was there (December 21, 1938). A French company has the contract for bridge and other structural work. Meanwhile a large volume of traffic is passing into Kwangsi by road. It consists largely of motor trucks and ambulances for various departments of the Chinese Government, gasoline and fuel oil, and material for use in the construction of the new railway.

The road from Haiphong to Dong Dang is asphalted for all but a short stretch near the frontier and although somewhat narrow is well engineered. Beyond Dong Dang, in Chinese territory, it deteriorates but is not bad, and foreigners are accustomed to drive from Hanoi to Nanning (Kwangsi) in a day and have driven from Hanoi to Chungking in four days. The possibilities

of

706

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

- 4 -

of this route, however, are just beginning to be appreciated and exploited. One of the foreign oil companies is sending gasoline and fuel oil into Kwangsi this way, forwarding it by rail as far as Dong Dang and from there by truck to Lungchow, Nanning and beyond. This was proving so successful that the company was acquiring more trucks for this service, and its principal competitor, which had tried shipping into Kwangsi by junk from Nacham (railhead), was planning to imitate it. The trucks which went into Kwangsi loaded were coming out empty, and no attempt was being made by the Chinese to use this route for the export of commodities like wood oil which are readily turned into foreign exchange or are required for barter. The possibilities along this line were being investigated by one of the large British firms and had been brought to the attention of Chinese officials in Hanoi and Haiphong.

Restrictions on Transit of War Material.

It has several times been reported in the press, since the commencement of hostilities, that in deference to Japanese protests the French authorities had forbidden the transit of arms and munitions to China through French Indo-China. In return for this Japan is supposed to have agreed not to occupy Hainan Island. I gathered that while the transit of arms and munitions is prohibited this does not apply to material contracted for before hostilities began or for the use of the Yunnan Government (under an old agreement by which the French undertook to supply that Government with arms),

that

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

- 5 -

that these exceptions are interpreted liberally, and that the scope of the prohibition is restricted to weapons, including aeroplanes, and ammunition. A recent shipment of aeroplane parts was refused entry and had to be re-loaded at Haiphong and reshipped to Rangoon for despatch to China by the Burma road. On the other hand large shipments of aviation and ordinary gasoline pass freely through Tonkin, and great numbers of motor trucks.

For a while trucks were held up. They had been coming in through Kwangchowwan, the French-leased port in southern Kwangtung, in small batches for the Salt Gabelle and other Chinese Government departments. After the fall of Canton they began to arrive at Kwangchowwan and Haiphong in large consignments, and the Japanese are said to have protested. During the first week of last November instructions were received from Paris to stop the transshipment of motor cars for military use in China. Kwangchowwan was also closed to the transshipment of commercial vehicles. This led to congestion at Haiphong, as cars shipped before this order was issued continued to arrive; there was delay in determining whether they were for military use and, on the Chinese side, confusion and delay in getting away cars which had been allowed to enter, for which lack of coordination among the various Chinese agencies, an inadequate supply of drivers, and the French requiring cars to make the journey from Haiphong to Dong Dang at night can be blamed. On December 22nd, the day I left Tonkin, I was informed

that

DECLASSIFIED: E.O. 11652, 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 -

that the embargo had been lifted, which was being interpreted as the removal of all restrictions on the import of motor cars, except at Kwangchowwan, where the ban still stood (the road from Kwangchowwan into the interior was cut by the Chinese about December 11th in anticipation of a Japanese landing at Pakhoi so that this is not important).

Hainan Island.

The Japanese have made no attempt to occupy Hainan Island. They have dropped a few bombs and small parties have landed occasionally in search of food and water but otherwise, according to General Martin, who commands the French troops in Indo-China, they have left the island alone. He told me that they had recently landed on Waichao Island, south of Pakhoi, and tried to make a landing field but had withdrawn without accomplishing much, according to reports brought him by a 'plane which he had sent to observe. (Press despatches report that the Japanese have again landed on the island.)

Chinese Activities.

Hanoi is now connected by air with Yunnanfu and Chungking. Eurasia Aviation Company maintains a service twice a week between Hanoi and Yunnanfu, connecting at Hanoi with Air France for either Hong Kong or Europe. This is now the usual route for Chinese officials and others passing between Chungking and Hong Kong. China has a consulate general at Hanoi, with a large staff, and a number of Chinese Government departments and organizations, such as the Central Trust, have representatives in Hanoi or Haiphong to look after incoming

supplies

STRICTLY CONFIDENTIAL

706

DECLASSIFIED: E.O. 11652, 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 -

supplies and financial matters. The Bank of China on November 24, 1938, opened a branch in Hanoi; it also has one in Haiphong and plans to establish a third at Saigon. There is the usual shifting group of unofficial representatives and liaison officers holding vague commissions from officials of the Chungking Government. Some of the difficulties which have hampered the smooth conduct of Chinese affairs in French Indo-China have resulted from lack of coordination among the Chinese agents in Tonkin and also between the agents and their principals in China.

Japanese Activities.

The Japanese have a consul general in Hanoi assisted by a small staff. Their chief function is intelligence work. A Domei report from Hanoi dated January 3, 1939, stated that the chancellor of the Japanese Consulate General, while travelling near Chenankwan on the Tonkin-Kwangsi border on an inspection tour of the frontier districts, was kidnapped by Chinese troops and carried off into Chinese territory.

Pakhoi.

The Chinese have for some time expected the Japanese to land at Pakhoi, in southern Kwangtung, and thrust northwards to cut the Hanoi-Nanning road. Pakhoi has been visited by both Japanese aeroplanes and ships, but these visits were desultory and obviously intended merely to feel out the strength of the Chinese and establish their positions. Aeroplanes came over on December 4th

and

- 8 -

5th, and again on the 19th, when the 'plane was supported by a warship which shelled the Chinese positions on Kwantai Point; the 'plane dropped several bombs outside town and on the crowded foreshore, killing eleven people; this was the first visit of a Japanese warship for over six months. Pakhoi harbor is a wide, shallow, open roadstead, and landing will have to be made in small boats; any serious attempt should succeed, and the Chinese in anticipation have evacuated a large proportion of the inhabitants, destroyed the bridge behind the town, and damaged the road by cutting trenches across it. Only about 3,000 of Pakhoi's 30,000 inhabitants remain, and 80% of the shops are closed. There were about 15 foreigners there, including two Americans (the Commissioner of Customs and his wife). The one American mission property, the Pentecostal Holiness Mission, was in charge of a Chinese caretaker; the American flag was flying over the property and was also painted on the roof of the main building.

Before the road was cut considerable quantities of wood oil and other exports were coming out through Pakhoi, and some is still coming down, by wheelbarrow and pack, but whereas it used to take only seven hours to reach Nanning by car, mail is now taking as much as two weeks. Mails are being forwarded in large quantity through Pakhoi to the interior, and a large number of bags were unloaded from my steamer. There were three British coastal steamers in harbor (one Jardine and two Butterfield & Swire) but there are only nine

lighters

106

DECLASSIFIED: E.O. 11652, 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 -

lighters and handling of cargo is slow. The fishing junks still put out regularly although the Japanese have burnt a number of them and from time to time deprive others of their catch.

French Attitude:

The general French attitude, in Tonkin, seems to be less one of sympathy with China than dislike of Japan. There does not appear to be any wide comprehension of the changes that have taken place or the progress that has been made in China in recent years, and French reactions seem still to be influenced by impressions acquired over many years through dealing with Yunnanese officials and the Chinese in French Indo-China. Dislike of Japan is tinged with apprehension, the fear of isolation and attack in the event of a European war, and Hanoi's policy is determined in Paris largely in the light of European conditions. Hanoi may still be expected to defer to some extent to Tokyo, though the American and British credits to China and the refusal of the Government of Burma to recognize any obligation to interfere with the passage of arms through Burma into China may bring a stiffer attitude.

Respectfully yours,


R. Y. Jarvis
American Consul

KYJ:eb

Original and four copies to the Department.
Copy to Embassy, Chungking.

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 1, 1939.

Tsingtao's despatch No. 391 of January 17 cites a press article reporting reopening of rail service between Hsuchow and Fengpu (on the Tsinpu line) as further proof of the Consul's frequently reiterated contention that guerilla warfare is ineffectual in preventing the Japanese from relentlessly developing their domination of China's economic resources. While admitting the many problems still facing the Japanese, the Consul notes evidence that trade with the hinterland is already considerably greater than quarters hostile to Japan like to believe.

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

No. 391.

Copy for Department of State.

AMERICAN CONSULATE,

Tsingtao, China, January 17, 1939.

Subject: Japanese Railway Control.

Wiliys R. Peck, Esquire,
Chargé d'Affaires ad interim,
American Embassy,
Peiping, China.

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

Division of
FAR EASTERN AFFAIRS
FEB 20 1939
Department of State

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1939 FEB 17 PM 3 42

DEPARTMENT OF STATE
MAR - 6 1939
A.M./C
ASSISTANT SECRETARY
OF STATE

793.94/14610

I have the honor to refer to this consulate's
dispatch no. 384 of December 6, 1938, file no. 800,
Subject: Conditions in Anhui Province, particularly
regard to the observations therein on the hold
which the Japanese are maintaining on the Tientsin-
Pukow Railway.

There is now quoted below an item which appeared
in the NORTH CHINA DAILY NEWS of January 13, 1939:

"TSINPU SERVICE BEING EXTENDED.

Line Between Hsuchow and Hwai River Planned.

"Peiping, Jan. 12.

With peace restored along the Tientsin-
Pukow Railway, the North China office of the
South Manchuria Railway Company has decided
to run a passenger train on the 164-kilometre
stretch of the line between Hsuchow and the
Hwai River at Pengpu in Anhwei starting January
15, it was learned today.

"For the time being the train will make
but one return-journey each day. This section
of the railway has eleven stations along its
route in the midst of a rich agricultural
district.

With

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

- 2 -

"With the resumption of traffic along this line, there is only 175 kilometres of the line to Pukow to reopen. - Domei."

Risking the charge of repititious emphasis of the Japanese control of the railways of North China, this consulate finds in the item quoted continued confirmation of the view that guerrilla warfare is quite ineffective in preventing the Japanese from extending their influence and strengthening their position, that guerrilla warfare in this region in the more important aspects of repelling the invaders has been of no consequence, that the Japanese are relentlessly pursuing a policy of the domination of the principal Chinese economic resources of the region, and that this policy is the keystone of the Japanese plans for "a new order" in China.

Japan is confronted with many problems in North China; fear, distrust, disorder, currency, trade, government and the plan of jealousies between Japanese officials. Yet trade moves in and out of the hinterland. Depressed as the markets may be at the moment, trade is far from dead. Reports from those whose dislike of Japan and the Japanese is great might indicate that business is at a standstill and that marketing in the interior is impossible. If such reports were true, some of the major foreign firms should be altogether inactive, and yet on the very day that the newspaper item quoted above has come to the attention of this consulate a representative of a great foreign business organization

707

DECLASSIFIED: E.O. 11652, 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 -

organization in China informed this office that its chief difficulty and problem is that of obtaining sufficient space on the railways for the conveyance of its product, sales of which are reaching in some districts figures which were considered maxima a few years ago. There is less chaos behind the Japanese lines than one might expect, and there is a greater zone which the Japanese dominate than some would have the public believe.

Respectfully yours,

Samuel Sokobin,
American Consul.

800/877

SS/CHS ✓

Original to Embassy, Peiping,
Copy to Embassy, Chungking,
5 copies to Department of State,
Copy to Embassy, Tokyo,
Copy to Consulates, Tsinan and Chefoo.

A true copy of
the signed original.
inal. 5/

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

NO. 10

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE GENERAL
Canton, China, January 18, 1939.

note
793.45

SUBJECT: Attempt to Establish a Refugee Area
at Yeungkong.

RECEIVED
DEPARTMENT OF STATE
7
PM 2 35
FEB 17 1939
CO-ORDINATIONS
ORDS
THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

793.94/14530



I have the honor to refer to this Consulate General's telegram No. 87 of December 20, 1938, 3 p.m. to the American Embassy at Chungking (repeated to the Department) and to the Embassy's reply telegram of January 16, 1939, 2 p.m. concerning a proposal to make the American Presbyterian Mission Compound at Yeungkong (陽江), Kwangtung, a refugee camp.

For the completion of the Department's file in this case there are enclosed a copy of this office's letter to the Japanese Consul General at Canton dated December 20, 2/- 1938, and a copy of this office's letter to Dr. W. H. Dobson, of the American Presbyterian Mission at Yeungkong dated January 17, 1939.

Respectfully yours,

M. S. Myers
M. S. Myers,
American Consul General.

Enclosures:

- 1/- Copy of letter to Japanese Consul General, Canton.
- 1/- Copy of letter to Dr. W. H. Dobson, Yeungkong.

Original and 4 copies to Department.

- 1 copy to Embassy, Peiping.
- 1 copy to Embassy, Chungking.
- 1 copy to Embassy, Tokyo.

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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. 10 OF JANUARY 18, 1939,
FROM M. S. MYERS, AMERICAN CONSUL GENERAL, CANTON, CHINA,
ON THE SUBJECT "ATTEMPT TO ESTABLISH A REFUGEE AREA AT
YEUNGKONG".

(COPY)

American Consulate General,
Canton, China, December 20, 1938.

Sir and dear Colleague:

I have the honor to advise you that this
Consulate General is in receipt of a communication dated
December 5, 1938 from Dr. W. H. Dobson, Secretary of the
Forman Memorial Hospital, American Presbyterian Mission,
Yeungkong, Kwangtung, China, in which he states:

"This is to advise you that the local charity
authorities in consultation with this Mission have
arranged to make this American Presbyterian Mission
Compound a Refugee Camp.

This Compound is situated about one-quarter
of a mile east of the city on the highway running
to Cheungsha from which boats leave ordinarily for
Canton. We are entirely separate from the city.
American flags are painted on the roofs and on wall
corners and gate entrances; a flag will also be
flown on approach of hostilities. Consular certi-
ficates are posted on Compound and on the Motorboat
in the river. This boat has a large flag painted
on the roof.

Will you kindly inform the proper Japanese
and Chinese authorities?"

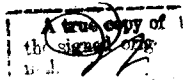
I have the honor to request that the informa-
tion contained in the preceding paragraphs be conveyed to
the appropriate Japanese Military Authorities.

I have the honor to be,
Sir and dear Colleague,
Your obedient servant,

M. S. Myers,
American Consul General.

K. Okazaki, Esquire,
Consul General for Japan,
Canton, China.

SJF/ccw



1074

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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. 10 OF JANUARY 18, 1939,
FROM M. S. MYERS, AMERICAN CONSUL GENERAL, CANTON, CHINA,
ON THE SUBJECT "ATTEMPT TO ESTABLISH A REFUGEE AREA AT
YEUNGKONG"

(COPY)

American Consulate General,
Canton, China, January 17, 1939.

Dr. W. H. Dobson,
The Forman Memorial Hospital,
American Presbyterian Mission,
Yeungkong, Kwangtung.

Sir:

Acknowledgment is made of your letter of December 5, 1938 (received in this office on December 19, 1938) advising this Consulate General that the local (Yeungkong) charity authorities in consultation with the American Presbyterian Mission have arranged to make the American Presbyterian Mission Compound a refugee camp.

The contents of your letter were communicated to the Japanese Consulate General at Canton on December 20, 1938, but up to the present time it has not been acknowledged. It is not believed that the Japanese Consulate General will reply to the letter, since in a similar case (proposed refugee camps at Shiuchow) it was orally indicated to this office that the Japanese attitude in such cases was to the effect that while foreign properties would not be molested, no refugee zones would be recognized by the Japanese as being entitled to any special treatment nor would any assurances be given that the Chinese in such refugee zones would be treated more favorably than Chinese outside of the refugee zones.

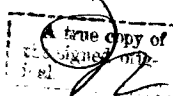
The contents of your letter were also communicated to the Chinese Ministry of Foreign Affairs at Chungking, through the American Embassy, and this office is now in receipt of a telegram dated January 16, 1939, from the American Embassy at Chungking, advising this Consulate General that the Chinese Foreign Office states the existence of the refugee camp has been brought to the attention of the appropriate Chinese military authorities by telegraph.

Very truly yours,

M. S. Myers,
American Consul General.

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SJF/ccw



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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

ML

1-1326

FROM

PLAIN

Chungking via N.R.

Dated February 17, 1939

Rec'd 7:30 a.m. 18th

Secretary of State

Washington

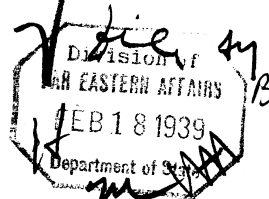
115, February 17, 3 p. m.

Referency my 114, February 17, 2 p. m.

Following is text of Central News Agency release dated February 15 regarding interview given by Prince Sha correspondent at Chungking.

"Firm determination of twelve million Mongols to fight the Japanese aggressors with one heart and under the guidance of Generallissimo Chiang Kai Shek was affirmed by Prince Sha, President of the Ikh Chao League of Inner-Mongolia, in a speech given before foreign press representatives this afternoon.

The grey-bearded sixty four-year-old Mongol dignitary, who arrived in Chungking on February 8th, spoke in his native tongue. 'The Japanese, since the Mukden outrage on September 18th, 1931,' Prince Sha said, 'have been leaving no stone unturned in scheming for a dismemberment of Mongolia from China, by means of political intrigues and propaganda, but I can say that except a few black



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

ML -2- Chungking Feb.17,1939 7:30 a.m.18th #115

black sheep, no upright Mongol has bitten the bait".

The sell-out of Prince Teh, Prince Sha stated, was an event unanimously condemned by the Mongol people. 'However, he added, 'Prince Teh is a man of no influence, and does not command the respect of the Mongols'.

Even then, Prince Sha reported, quite a number of those who had blindly followed Prince Teh's footsteps have recently again come back to the Chinese fold, such as banner chief Yu Chun and regimental commander Ma Tse Hse, now serving as vanguards in the war of resistance against the Japanese.

Not only guerilla units and self-defense corps have been organized among the menfolks in Inner-Mongolia, Prince Sha states with pride, but two princesses, widows of the late Prince Shis and the late Prince Erh, are at the head of two banner armies, resisting Japanese invasion.

Instead of succeeding in slicing off Inner-Mongolia from China, the Prince said, the Japanese invaders have roused the giant Mongol lion from its slumber, and once more brought forth from the Mongol's the interprising spirit that characterized Genghis Khan. 'All these,' Prince Sha states, 'have proved conclusively that nothing

can

107

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

ML -3- Chungking Feb.17,1939 7:30 a.m.18th #115

can change the fact that Mongolia is a part of China.
At whatever sacrifices we Mongols are out to prove to
the world that we are a part of China!

The Mongols, the Prince said, have taken up arms
to do their part in preserving the territorial integrity
of China. Though they have not achieved exceptional
victories during the past nineteen months of the war of
resistance, nevertheless they have been fighting in the
Chinese national spirit of sacrifice.

'We are all determined to lay down our lives,' the
Prince asserted, 'and our horsemanship and marksmanship
are not to be slighted'.

For about five months last year, Prince Sha revealed,
the Japanese had, by means of bribing a few important
chieftains, succeeding in occupying the Orgos territory,
and two other banners were in danger of being seized,
'I wired to the central army authorities in Sian and
Yulin,' the Prince reported, 'asking for the dispatch of
reinforcements to west Suiyuan. Meanwhile I gave orders
to the Mongolian chieftains to closely cooperate with
the Chinese units'.

So under close cooperation between the Chinese and
Mongolian units, the Prince said, the situation was saved.
And since then the Japanese have not dared to push

further

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

ML -4- Chungking Feb.17,1939 7:30 a.m. 18th #115

further westward, following the capture of Paotow, and particularly following several setbacks at the hands of the Chinese forces under General Ma Chan Hsan and the Mongol troops under Brigadier General Pai Hai Feng.

Recently, Prince Sha said, the Japanese have once more sent strong reinforcements, numbering over two full divisions, to the Kweihua-Paotow region, waiting for a chance to push westward.

But, the Prince pointed out, western Suiyuan abounds in hills and desert land, which are not suitable for the operation of Japanese mechanized units. Furthermore, over fifty thousand armed Mongols have been trained for both positional and Mongol warfare.

As regards his mission to Chungking, Prince Sha said that while he is here to report ^{to} Generallissimo Chiang and the authorities on Mongolian affairs as well as to assume his new post as State Councillor, the most important work is to receive instructions regarding the war of resistance in Inner-Mongolia.

He is here also to discuss with the authorities as to how to improve education in Inner-Mongolia, consolidate the party and military and political administrations and to cement closer relations between the Mongols and the Central Government.

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

ML -5- Chungking Feb.17,1939 7:30 a.m. 18th #115

'I repeat in conclusion,' he said, 'That we Mongols are one hundred percent loyal to the Central Government and to our supreme leader. It is our firm conviction that only by great sacrifices can we win our national independence and liberty!'

Repeated to Peiping.

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

TELEGRAM RECEIVED

MJD

1-1326

FROM GRAY

Tsinanfu via Tsingtao
and N. R.

Dated February 17, 1939.

Rec'd. 2:20 a. m., 19th.

Secretary of State,
Washington.

8, February 17, 1 p. m.

One. Japanese army proclamation published today warns public Japanese will not only destroy such villages but will slaughter all male inhabitants between the ages of 12 and 40 of villages found to be harboring guerrillas.

Two. This action probably result of attempted political assassinations reported in my telegram No. 6, February 10, 9 p. m. and current rumors of impending guerrilla uprising during Chinese New Year holidays.

Repeated to Peiping and Chungking. By mail to Tokyo.

HAWTHORNE

RGC
HTM

FEB 21 1939

RECEIVED

F/FG

793.94/14726

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

TELEGRAM RECEIVED

JR

1-1336

GRAY

FROM

Tokyo

Dated February 20, 1939

Rec'd 7:43 a.m.

Tel. to Tokyo

FEB 20 1939

Secretary of State,
 Washington.

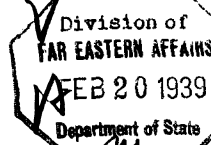
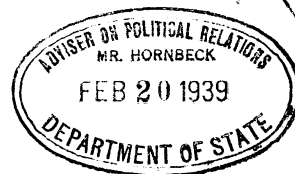
99, February 20, 6 p.m.

An International News Service report from Paris

to the effect that the United States was pressing Great Britain and France for a common naval demonstration against the Japanese occupation of Hainan Island, was prominently featured in the Saturday, February 18, evening edition of the YOMIURI. The HOCHI SHIMBUN and the CHUGAI SHIMBUN, evening editions, February 19, published an emphatic denial said to have been made by Mr. Welles, Under Secretary of State, in refutation of the INS report. A careful search of the press does not reveal that either the original report from Paris, or the denial from Washington was given any publicity in the vernacular press other than the above.

GREW

DDM:KLP



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

PREPARING OFFICE
WILL INDICATE WHETHER
Collect
Charge Department
OR
Charge to
\$

TELEGRAM SENT

Department of State

Gray
TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE ✓
PARTAIR
PLAIN

Washington,

February 20, 1939.

5 p.m.

AMEMBASSY,

TOKYO (Japan).

43

Your 99, February 20, 6 p.m. ✓

✓ Denial of the truth of the INS report was made by the
Under Secretary on February 18 and a report of the denial is
contained in Radio Bulletin No. 41 of the same date.

Hill

Stop

✓
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DIVISION OF
COMMUNICATIONS
AND RECORDS

1939 FEB 20 PM 4 31

DEPARTMENT OF STATE

Enciphered by _____

Sent by operator _____ M., _____, 19____

D. C. R.—No. 50

1-1462 U. S. GOVERNMENT PRINTING OFFICE

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0083

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

OSD letter, May 3, 1949

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

G-2 Digest of Information

Sino-Japanese Situation

November 28 - December 2, 1938.

1938

Division of
 FAR EASTERN AFFAIRS
 1938
 Department of State

1. MILITARY OPERATIONS.

a. The general situation remains unchanged since last week. The Japanese armies are halted on all fronts. In the Canton area the Japanese have completed the mopping-up of the space between the Canton-Kowloon Railway and the Pearl River. From the Lunghai Railway zone there have come numerous reports of minor actions between the Japanese and Chinese guerrillas, but no important results are claimed by either side.

2. MISCELLANEOUS.

a. On November 28 General Tojo, Japanese Vice-Minister of War, was quoted as saying that Japan must turn out munitions on a scale sufficient to continue to supply the present war with China and simultaneously to undertake operations against Russia. In view of the possibility that General Tojo's call for a step-up in production may have been evoked by present rather than future needs, the following statement published by Standard Statistics, Inc., on November 26, may be of interest:

"Despite recent successes in southern China, Japanese officials have indicated that a long struggle in China may yet be expected. Prolongation of the conflict merely assures further deterioration of the economic and financial position of Japan, which is now on a full war time basis. Productive capacity has been strained to meet war needs at the expense of both peace time consumption goods and export products. As a result, the economic difficulties of the civil population have increased, and a heavy loss of exports has occurred. Moreover, although Japan recently has announced plans for creating an economic bloc in eastern Asia, the benefits of the latter would not be forthcoming in the near future.

"The cost of military operations in China has been estimated at about ¥17,250,000 daily, or some ¥6,300,000,000 per year. Actually, total budgeted appropriations for this purpose since July, 1937, have amounted to ¥7,379,000,000, of which ¥4,850,000,000 is included in the 1938-39 budget. The magnitude of these sums, all but a small portion of which must be covered by borrowing, is apparent when compared with a total government debt of ¥10,880,300,000 before hostilities began. As of September 8, 1938, the total debt amounted to ¥15,291,193,300, the latter figure including ¥3,200,000,000 of China Incident Bonds, issued to finance current war costs."

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FEB 20 1939

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 FEB 18 1939
 COMMUNICATIONS SECTION

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

b. Political developments have continued in those parts of China under Japanese domination without, however, any clear cut signs as to the form of government which Japan desires for China or as to the personnel who will assume office. In fact all signs indicate that the matter is still in a state of flux. On November 25 there was formed at Hankow a "Huhan Peace Maintenance Society" as the nucleus of a local government in that recently conquered area. Heading this society, which raised the five-barred flag of the pre-Kuomintang republic of China, was one Chi Kuo-cheng, an obscure business man. No definite progress has been made toward integrating this government, the existing Japanese creations at Shanghai and Peiping, and presumably the one projected for Canton. On November 29 there met at Nanking the "National People's Party Congress" with 457 delegates, mostly drawn from the lower Yangtze provinces. This conference, which may be regarded as a deliberative continuation of the "Joint Commission of the Republic of China" that met at Nanking November 1-2, had announced its purpose as being to work for the establishment of a Central Government of China. The conference ended on December 1 with resolutions for the impeachment of Chiang Kai-shek and for a federalized China. No immediate effective results are expected from its activity. Meanwhile in North China there are continuing evidences of friction between the three Japanese empire-builders, Generals Doihara, Kita and Teruchi. In the forefront of their contentions is the dispute as to the degree of federalization to be adopted by the new Chinese Government, behind this are the fortunes of the competing Chinese politicians who have given them personal allegiance, and still farther in the background but most potent is the struggle for prestige and power between the three Japanese themselves. On December 1 General Teruchi was relieved from the North China command and replaced by General Sugiyama, Japanese War Minister, 1937-38, thereby marking another phase in this obscure struggle. Strong but unconfirmed rumors relate that General Lu Pei-fu, ex-warlord and president of China in the 1920's, has agreed to head the national government which Japan is desirous of forming.

c. Meanwhile in Tokyo on November 30 there was held an imperial conference in which the Emperor, Premier Konoye, the heads of the Army and Navy and key members of the cabinet took part. Such a gathering is exceedingly rare and implies the formulation of basic policy. While the details of the decisions reached were not made public, it may be assumed that a policy was enunciated broad enough to cover Japan's future relations with China, the interlocking of Japan, China and Manchuria, and their future attitude toward western nations in the Orient. In other words the basis of "a new order in Asia" has been formally established.

d. On November 29 Vice Admiral Koshiro Oikawa, Commander in Chief of the Japanese Fleet in China notified the senior third-power naval officers in Shanghai that the Yangtze River would be closed to foreign commercial vessels for the duration of hostilities in China. While

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

CONFIDENTIAL

admitting that Japanese military and naval vessels were carrying some commercial products, he maintained that these articles only occupied surplus cargo space and also that often these goods were ultimately intended for military use. Aside from its obvious purpose of putting economic pressure on foreigners with vested interests in China, Admiral Oikawa's statement has a suggestive overtone. It is believed that this is the first time that a Japanese official has stated that raw materials are munitions or instruments of war because they will be processed into articles of military utility. Admiral Oikawa's notification was also furnished third-power diplomatic agencies by the Japanese Embassy in Shanghai.

On November 30 Admiral Oikawa informed British, French and American senior naval officers that, subject to certain elaborate restrictions the Japanese Navy was prepared to facilitate the movement of foreign gunboats on the Yangtze.

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

1-2 Digest of Information
 Sino-Japanese Situation
 January 27 - February 10, 1939.

1973



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NOTE: Situation Map does not accompany this report.

1. MILITARY OPERATION.

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 Haichow Island, 35 miles south of Huihai 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 Tonking and lies on the flank of the communications line: Singapore--Hongkong. 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.

b. The Japanese concluded their punitive expedition into North-east Chantung, and on February 6 marked its conclusion by lifting the naval blockade proclaimed over the coast from Tangchow to Chikow. This expedition appears to have achieved nothing beyond the infliction of a limited number of Chinese casualties. No extension of territorial occupation has occurred.

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

c. The Japanese are reported to have launched a mopping-up expedition in the Hopei plain in the area bounded by the Kin-Han and Tsin-Hu railways, the Peiping-Tientsin railway, and a line about 100 miles south thereof. No reports of results are forthcoming as yet.

d. Szechwan Province, was severely bombed on February 4. The civilian death toll was set at 1,000. Objective of the bombing was probably a considerable accumulation of military and industrial supplies moved up the Yangtze, via Ichang, as a consequence of the fall of Hankow. Kwei-yang was also bombed on the same date. The planes involved may have come from Hainan Island.

e. Chinese pressure in the Manchow area continues, and has now developed into a combination of a weak military offensive and effective guerrilla tactics. The guerrilla effort has spread about 40 miles up the Shanghai-Manchow railway and is causing the Japanese an unusual amount of trouble. On February 6 the Peking-Tientsin railroad was again cut by guerrillas and traffic was held up six hours. It is believed that this represents little more than a belated recognition by the Chinese of the propaganda value of action against this line which is under close foreign observation.

f. Well authenticated reports indicate that the Japanese have weakened their Wuhan garrison by 2 1/2 divisions and the Canton garrison by 1 1/2 divisions. One of the Wuhan divisions has moved east to Anhwei Province. Of the remaining three divisions, two have been sent to North China and one to Manchuria.

Comment: The foregoing indicates that the recent reinforcement of Manchuria was less than was currently believed. The withdrawal of forces from Canton and Wuhan would seem to indicate that the Japanese do not contemplate for the moment any large-scale offensives in the vicinity of Canton or in Central China. The punitive operations in Hopei and Shantung suggest the use for which the reinforcing divisions are allocated.

g. Evidence is accumulating that substantial Russian aid is again forthcoming to China. In addition to aviation and to technical help, considerable ground-force material is believed to be flowing into Shensi Province.

2. MISCILLANEOUS.

a. The fifth plenary session of the Central Executive and Central Standing Committees of the Kuomintang ended on January 27. In addition to a manifesto of confidence in Chiang Kai-shek's leadership and a reaffirmation of China's determination to resist, the following measures were taken:

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

(1) Reaffirmation of the "open door" and of the established rights of foreigners in China.

(2) Refusal to open membership in the Kuomintang to members of the communist party. Reaffirmation was made of welcome to the collaboration of communists in the struggle against Japan.

(3) Creation of a Supreme National Defense Council, composed of the Generalissimo as chairman and a standing committee of 11 members: the presidents of the five governmental Yuans, the Minister of Foreign Affairs, the Chief of Staff and the Assistant Chief of Staff of the Military Affairs Commission and three members of the standing committee of the Central Executive Committee. Provision is made for the attendance at meetings of members of the standing committees of the Central Executive and Supervisory Committees of the Kuomintang. Chang Chun, Vice-Chairman of the Executive Yuan, has been designated concurrently as secretary of the Council. The functions of the Council have not been announced as yet, but its creation is obviously a step toward tightening the grip of Chiang Kai-shek and the Central Executive Committee on the conduct of the war.

b. In the period January 31 - February 8 a number of Haisao-Manchou-Kuosa frontier clashes have been reported at a point on the Argun River about 60 miles northwest of Manchuli. Only small forces have been engaged to date. However the fact that hostilities have continued for a considerable period of time makes the occurrence more noteworthy than is the case with most of these constantly recurring frontier incidents.

c. The Japanese have been making persistent efforts to induce, facilitate or force the evacuation of the approximately 100 remaining foreign residents of Kuling, Kiangsi Province, prior to an attack on Chinese troops said to number 5,000 who have been surrounded in the vicinity of that resort since last October. Originally the Japanese set February 10 as a dead-line for the evacuation, but have since intimated that the date would be extended. U. S. S. OASU has been ordered to Kiuikiang to assist in moving American citizens. This is the second opportunity which the Japanese have offered foreign nationals to evacuate Kuling. The first effort, made early in December, resulted in the evacuation of some 15 American nationals.

d. On February 8 General Sugiyama, Japanese commander, ordered a relaxation of the Japanese "blockade" of the Tientsin foreign concessions, which had been in effect for almost two months. The order came when the concessions' authorities were anticipating even more stringent measures to force compliance with demands for the surrender of assorted guerrilla leaders and for control of Chinese governmental funds. It is reported that the authorities are still apprehensive, however, that other Japanese action to force the issue impends.

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

c. Rumors and speculation concerning the participation of Wu Pei-fu in a government acceptable to the Japanese have continued. Prior to January 31, the most consistent reports were to the effect that Wu would accept the chairmanship of a Pacification Commission to be established at Kaifeng, Honan. There he would bring under his control certain Chinese Government troops reputed to be disaffected. It was thought probable that eventually the Kaifeng regime might be expanded into the long projected Central Federal Government. This nebulous situation was made even more obscure by a press conference held by Wu on January 31. At the meeting Wu is said to have told the correspondents that he is anxious to work for peace and stated that the essentials for a successful effort on his part were his unqualified control of civil affairs, maintenance of a Chinese army and location of the capital at Peiping. It is now uncertain whether Wu has set these obviously unacceptable terms as a polite means of refusing to cooperate with the Japanese, or whether they merely represent his maximum demands in a bargain for power.

3. COMMENT.

Despite the Hainan expedition, there is cumulative, if not conclusive, evidence that the Japanese hope for and perhaps expect the disintegration of the Chinese National Government as the result of the blows already delivered. There may be wishful thinking in this, as they have no means of bringing the Chinese armies to decisive battle, and no finite territorial objectives remain within their reach. However they are undoubtedly relying on the defections of individualists such as Wang Ching-wei and of political cliques, such as the "C.-C." group, and of old time warlords, such as Wu Pei-fu. They also must find comfort in the fundamental cleavage between the Kuomintang and the communists. In the light of the foregoing their action in stripping the Canton and Hankow garrisons is open to interpretation as a decision to halt the offensive in those areas and let the National Government stew in its own juice for a while. An increase in punitive and pacification operations in North China, where the influence of the communist armies is stronger, would also be consonant with the basic decision referred to.

CONFIDENTIAL

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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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tsingtao/126 FOR #388 to Embassy

FROM Tsingtao (Sokolov) DATED Jan. 7, 1939
TO NAME 1-1127 ***

REGARDING: Military activities in Tsingtao District during December, 1938, reported. Comments on Japanese plans for the development of Shantung. Reports increase in Japanese community in Tsingtao.

wb

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793.94
14730

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

- 7 -

3. Japan.

In the military sphere the feature of the month was the influx of a large contingent of Japanese soldiers. The men are being put through a training course which some observers feel presages a possible Japanese offensive at some point where there is at present inactivity.

Much has been written in the past of Japan's military threat to the Occident by virtue of its domination of China, yet it is of interest to note that in Tsingtao, after a year's occupation of the city, no Japanese military or naval works have been constructed in this region with the exception of the extension of the air field, which from present appearances can hardly be called a military air port and which is also used by the commercial planes of the Japn Air Transport Company. And while it is to be noted that Chinese mercenaries are now serving the Japanese in Shantung, these mercenaries it would appear function more as a buffer between the Japanese troops holding the Tsingtao-Tsinan Railway and the guerrillas on each side of that line. There is no evidence that the Japanese have taken any steps to give military training to any group of Chinese. But perhaps the Japanese have deferred any such intention until more favorable times.

Japanese Plans for Development of Shantung.

The president of the North China Development

Company...

709

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

- 8 -

Company paid Tsingtao a brief visit following a tour of the Tientsin-Peiping-Kalgan region.* In Tsingtao the president is reported to have stated that further study must be given to the plans for the "development" of Shantung; subsidiary companies would be organized to operate coal mines in Shantung and that a decision was still to be reached on the question of amalgamating the Tsingtao Wharf Company (see Tsingtao consulate's despatch no. 225 of July 18, 1938, file no. 815.6, subject: Formation of Wharf Company in Tsingtao) with the subsidiary of the Development Company which has been organized to develop communications in North China.

Japanese Community in Tsingtao Increases.

The latest census of the Japanese community in Tsingtao shows a population of more than 20,000. Prior to the outbreak of hostilities in July 1937 the Japanese population of Tsingtao was between sixteen and seventeen thousand. There has been a noticeable increase in Japanese retailers whose trade depends not on their fellow nationals but on the Chinese public.

* Relations of the General International

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

2. Japan.

Comment appears on page 8 regarding the large increase in the Japanese population of Tsingtao and the noticeable addition of Japanese retailers whose trade depends on the Chinese public. One large Japanese department store firm is now engaged in renovating a large building which has been closed ever since the last occupants, a Chinese department store, failed some three years ago.

In large scale activity work went on apace in the reconstruction of the Japanese cotton spinning and weaving mills, all but two of which are completed. A Japanese leaf tobacco re-drying plant is one of the principal new enterprises undertaken by Japanese in Tsingtao, while reports sporadically appear in regard to a paper mill to be constructed by Japanese interests.

In spite of the absence of new large scale Japanese enterprises which might have been expected as a result of the occupation of Tsingtao for the past year, there was noticeable at the end of the year a quickening of the tempo of the commercial life of the city.

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

- 12 -

A further speeding up may be expected when the plans of the North China Development Company for the exploitation of Shantung (see page 8) are completed.

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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 893.51/6814 FOR #1920

FROM Shanghai (Gauss) DATED Jan 11, 1939
TO NAME 1-1127 ***

REGARDING: Conditions in North China.
Report by Henri Bar, Manager of the China branches of the
Banque Franco-Chinoise pour le Commerce et l'Industrie on-,
Encloses copy, with memorandum of his conversation with
Manager of Yee Tsoong Tobacco Distributors, Ltd., together
with translations.

FRG.

793.94/14731

14731-

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

15456

TELEGRAM RECEIVED

EDA

This telegram must be
closely paraphrased -
before being communi-
cated to anyone (C)

FROM TOKYO

Dated February 20, 1939

Received 9:35 a.m.

Secretary of State

Washington

100, February 20, 7 p.m.

STRICTLY CONFIDENTIAL.



943.9d

The Minister of Foreign Affairs in the course of a recent conversation with my British colleague said that talk of foreign economic pressure on Japan tended to stimulate the movement here for economic self-sufficiency or at least to lessen Japan's reliance on foreign powers. On Craigie's observing that too much attention should not be paid to press talk, the Minister replied that he understood that the Government of Great Britain and the United States had been exchanging views on this subject. The Ambassador responded that despite the unfair treatment of our interests during eighteen months the fact remained that economic pressure had not (repeat not) been applied although it was his opinion that such pressure could be made overwhelming in present circumstances. In any case the simple remedy of dealing more reasonably with the rights and interests of foreign powers remained with Japan.

793.94/14732

FEB 2 1939

FILED

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WWC:KLP

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GREW

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

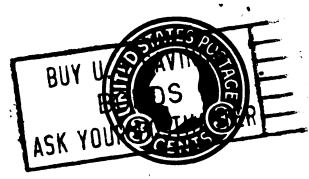
United States Dept of State
Gentlemen
RECEIVED
DEPARTMENT OF STATE
FEB 21 1939
Division of
FAR EASTERN AFFAIRS
Department of State
Feb. 18, 1939
Ano'd
I wonder if your department has any
information for public distribution as to what to
if any, have been abrogated by Japan's
policy in China. I would like this
information for use in a public forum.

Respectfully

George B. Turner
3421^a Bell Ave.
St Louis Mo.

793.94

AFTER 3 DAYS RETURN TO
Geo B Turner
3421 1/2 Bell
St Louis



793.94/1472

Department of State
Washington
D.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

February 28 1939

In reply refer to
 FE 793.94/14733 -

My dear Mr. Turner:

The receipt is acknowledged of your letter of February 18, 1939, in which you request that you be supplied with information "as to what treaties, if any, have been abrogated by Japan's policy in China".

For your information there are enclosed copies of various documents, as listed below, which, it is believed, will be in large measure responsive to your inquiry.

Sincerely yours,

For the Secretary of State:

M. M. H.

Maxwell M. Hamilton
 Chief
 Division of Far Eastern Affairs

(For enclosures,
 see following page.)

Mr. George B. Turner,
 3421¹/₂ Belt Avenue,
 St. Louis, Missouri.

793.94/14733

F/FG

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

-2-

Enclosures:

1. Press statements of July 16, August 23, October 6, 1937.
2. Address by the Secretary of State on March 17, 1938.
3. Press statements of April 26 (no. 197), August 27 (no. 403), October 26 (no. 519), November 19 (no. 563), December 31 (no. 636) 1938.
4. Press statement no. 30 of January 26, 1939.
5. Pamphlet entitled "The Conference of Brussels".

egc.
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 2/23/39

FE

FEB 24 1939
 FEB 24 1939

013 TD PM
 G.M.P.

A true copy of
 the signed original.

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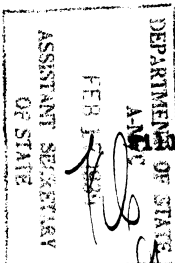
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

No. 21

M
Hawthorne
AMERICAN CONSULATE,

Tsinan, China, January 11, 1939.

SUBJECT: CONDITIONS IN ICHOWFU (LINI),
SHANTUNG.



W. R. Peck, Esquire,

American Chargé d'Affaires ad interim,

Peiping.

Sir:

Supplementing this office's despatch no. 10, of
December 8, 1938, on the above subject, I have the honor
to quote the following excerpt from a letter addressed
to the Consulate on January 2, 1939, by an American
missionary stationed at Ichowfu:

"Conditions here leave a great deal to be
desired. We are not molested, but the Chinese
in the employ of a certain group prey on their
fellow countrymen in a manner which makes the
bandits of ten years ago seem like the veriest
amateurs. They are not paid a salary, but are
given leave to rustle their own. I personally
know some of the local gang. At least one was
caught while robbing Woodberry's house a couple
of years ago. Most of the troops have left and
the guerrillas are within eight li of the city
and sometimes much closer. Their conduct also
leaves much to be desired. Our greatest diffi-
culty is in getting supplies. With the city
practically destroyed there are no markets and
we have to send to the country for eggs and vege-
tables. Some faction frequently arrests our
servants or employees and we have plenty of trouble
in having them released. We have great difficulty
in getting sufficient currency for our needs as
there is no business with either Tsingtao or Shanghai.
The endeavor to make the people use Federal Reserve
notes was a complete failure. The villages are
having a hard time of it. They have been ordered

to

793.94/14734

F/FG

14734

0101

DECLASSIFIED: E.O. 11652, 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 bring huge amounts of eggs and cabbage to the city daily. If they fail to do so they threaten to burn."

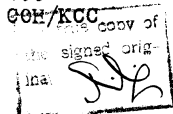
By "Chinese in the employ of a certain group," who "prey on their fellow countrymen in a manner which makes the bandits of ten years ago seem like the veriest amateurs," the writer no doubt means ex-guerrillas who have declared allegiance to the Peiping regime. In this connection reference is made to this Consulate's Political Report for December 1938, in which it was stated (page 2) that "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." Such is the sad plight of the long-suffering masses of Shantung!

Respectfully yours,

Carl O. Hawthorne,
American Vice Consul.

Original to Embassy, Peiping.
Copy to Embassy, Chungking.
5 copies to Department.

800



DECLASSIFIED: E.O. 11652, 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. 23

AMERICAN CONSULATE,

Tainan, China, January 12, 1939.

DEPARTMENT OF STATE
A-M/C
JAN 17 1939
ASSISTANT SECRETARY
OF STATE

SUBJECT: JAPANESE PREPARED TO RESORT TO
EXTREME MEASURES TO GAIN ECONOMIC
ADVANTAGES.

Kellys R. Peck, Esquire,

American Chargé d'Affaires ad interim,

Peiping.

Sir:

COPIES SENT TO

793.94/14609

I have the honor to refer to this Consulate's
despatch no. 13, of December 13, 1938, subject:
"Japanese Consolidate Their Economic Position in
Tainan," in which it was reported that "Japanese have
obtained a 51 per cent share (usually without investing
any capital) in the majority of the former Chinese-
owned industrial enterprises" at Tainan, and that "In
addition, all public utilities are under
Japanese control." The Chinese-owned electric light
company at Chowtsun (周村), east of Tainan on the
Tsingtao-Tainan Railway, was placed under Sino-Japanese
management in December, and the SHANTUNG HSIN MIN PAO of
December 14, 1938, carried a news item on the subject,
of which the following is a translation:

"Sino-Japanese Management of Chowtsun Electricity
Company. After several months' discussion the Chinese
Manager of the Company has signed an agreement with the
Japanese Manager of the Lu Tung Electricity Company at
Tsingtao, by which the former Company is to be placed
under Sino-Japanese management. The Company will be

capitalized

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

- 2 -

capitalized at \$400,000 in which the Chinese and Japanese will each obtain a 50% share. Electric wires are being laid between Chowtsun and Poshan and it will take about 6 months to complete the project."

In this connection, the Consulate is reliably informed by an American citizen that the "several months' discussion" with the Chinese manager, included such torture of the latter by the Japanese authorities (presumably military) as to bring about his death in Tainan a few days previous to the publication of the article quoted above. The "anti-Japanese attitude" displayed by this Chinese gentleman, who was a partner in the concern, in endeavoring to protect his own interests against Japanese domination, resulted in his death.

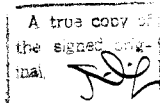
The foregoing is indicative of the extreme measures to which the Japanese are prepared to resort in order to gain economic advantages in this part of China.

Respectfully yours,

Carl O. Hawthorne,
American Vice Consul.

800
COH/KCC

Original to Embassy, Peiping.
Copy to Embassy, Chungking.
5 copies to Department.



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

*copy to Treasury
in confidence
RCW*

TELEGRAM RECEIVED

JR

GRAY

FROM Hong Kong via N. R.

Dated February 21, 1939

Rec'd 6 a.m.

Secretary of State,
Washington.

58, February 21, 11 a.m.

Japanese bombing planes flew over the Hong Kong frontier this morning and according to usually reliable sources of information did considerable damage at Shumchum and dropped bombs at a train on the British section of the Kowloon-Canton Railway which was in movement on this side of the frontier. Our information also indicates that police station on the British side of the frontier was struck by bomb and one British Indian constable killed and others wounded. Various Americans are living or spending the current Chinese New Year holidays in the neighborhood of the bombed area but so far as we are able to learn at this hour neither they nor their property suffered damage. Repeated to Chungking, Peiping, Canton.

SOUTHARD

WWC:RR



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F/FG

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

*Copy in paraphrase
sent to Treasury
as confidential
new*

TELEGRAM RECEIVED

5457

EDA

This telegram must be
closely paraphrased
before being communi-
cated to anyone (BR)

CHUNGKING VIA N.R.

FROM

Dated February 21, 1939

Received 11 a.m.

Secretary of State

Washington

123, February 21, 2 p.m. (SECTION ONE).

Reference Embassy's telegram No. 98, February 12,
noon.

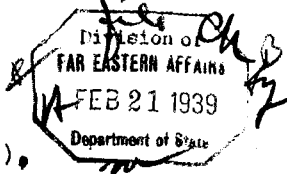
It is the Embassy's observation that far from exhib-
iting general trepidation over the Japanese invasion of
Hainan, Chinese official circles are viewing the matter
with a minimum of concern if not with a certain amount
of complacency. These impressions on the part of the
Chinese may be ascribed to (1) a belief that the Japan-
ese landing on Hainan will have no material effect on
the war on the mainland but will rather keep a certain
number of Japanese troops occupied on the island, and
(2) a conviction that the Japanese invasion of Hainan is
a diplomatic blunder which cannot but result in exacerba-
tion of relations between Japan and the United States
Great Britain and France.

(END OF SECTION ONE).

Repeated to Peiping.

PECK

KLP



793.94/14737

F/FG

15458

TELEGRAM RECEIVED

JR

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

FROM

Chungking via N. R.

Dated February 21, 1939

Rec'd 10:46 a.m.

Secretary of State,

Washington.

123, February 21, 2 p.m. (SECTION TWO).

There appears to be no (repeat no) unanimity of
opinion in Chungking in relation to Japanese motives in
occupying Hainan. One popular view is that it was the
consummation of a step in the development of the Rome-
Berlin-Tokyo axis, another is that occupation was
undertaken with a view to gaining an added bargaining
point in future diplomatic negotiations, a third that
it was executed with a view to bringing pressure on
France and a fourth that the operations were undertaken
to propitiate the Japanese navy in its desire for
expansion to the south.

(END MESSAGE).

Repeated to Peiping for mailing of code text to
Tokyo.

PECK

KLP

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

5459

ConfidentialPARAPHRASE

CONFIDENTIAL

A telegram (no. 123) of February 21, 1939, from the American Embassy at Chungking reads substantially as follows:

Opinions in Chungking in regard to the motives which prompted Japan to occupy the Island of Hainan do not seem to be unanimous. That the operations were undertaken to appease the Japanese navy in its wish to expand toward the south is one popularly held opinion. Another opinion is that the occupation was carried out for the purpose of bringing pressure on France, while a third is that it was the completion of a step in the growth of the Berlin-Rome-Tokyo axis. Still a fourth opinion is that the purpose back of the occupation of the island was to obtain an additional point which could be used in bargaining in future diplomatic negotiations. Far from being perturbed on account of Japan's occupation of the island, Chinese in official circles are, according to the Embassy's observation, looking at the matter with little concern if not with some satisfaction. This feeling on the part of the Chinese may be attributed to confidence that the occupation of Hainan by Japan is a diplomatic error which will be sure to bring about irritation in relations between Japan and France,

793.94/14737

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

-2-

CONFIDENTIAL

France, Great Britain and the United States and to a belief that not only will the occupation not affect the conflict on the mainland materially but will serve to keep some Japanese troops busy on Hainan.

793.94/14737

EJC
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HJP
FE *new*

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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. Hankow/136 FOR #536

FROM Hankow (Josselyn) DATED Dec 14, 1938.
TO NAME 1-1127 ...

REGARDING: Sino-Japanese conflict: military, naval and aerial operations.

FRG.

793.94 / 14738

14738

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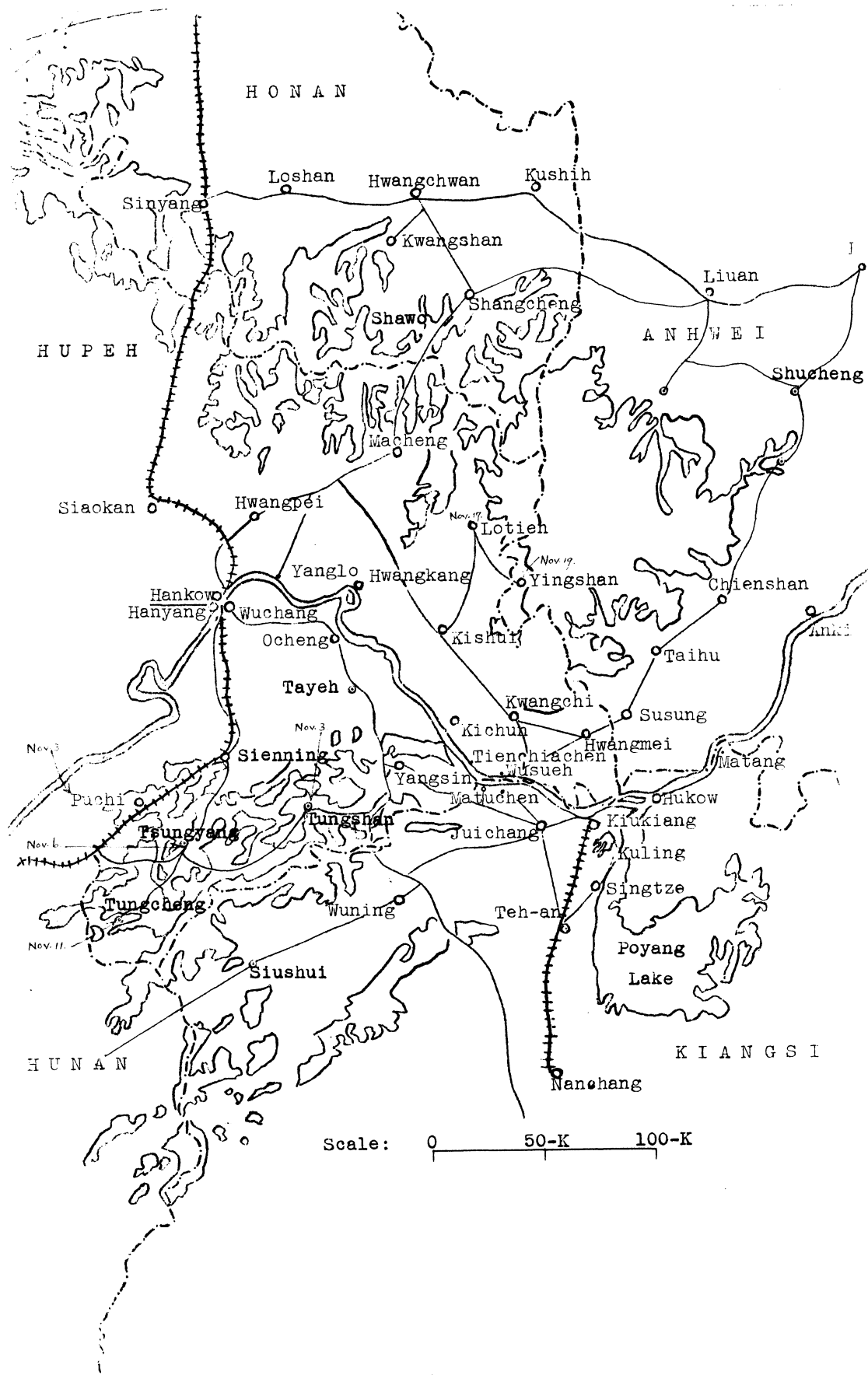
B. Relations with Japan:

1. Military Field Operations:

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The dates of Japanese occupation of principal towns
are shown on the attached map. Most of the dates are from
Japanese sources.

The main

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



0112

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

Political report
November 1938
Hankow, China

-9-

The main Japanese force in the middle Yangtze area during the forepart of November continued to pursue the Chinese armies retreating south, north and west. They encountered slight resistance. According to Chinese reports from Chungking which appear to be borne out by subsequent developments, by the third week in November the Japanese offensive apparently slackened and came to a near standstill. North of the Yangtze river the Japanese had penetrated to a distance of about 100 kilometers west of and roughly parallel to the Peiping-Hankow railway. South of the Yangtze, they had penetrated to a short distance south of Yoyang (岳陽) which is at the junction of the Yangtze river and the Tungting lake. Yoyang was reported taken by the Japanese on November 11. So far as can be determined, the Japanese did not have sufficient forces at their disposal to advance further and garrison towns along new lines of communication. This situation continued until the end of the month.

One of the most important developments during the month was the burning by the Chinese of the important city of Changsha, capital of Hunan Province. Information regarding the precise reason for this wholesale destruction of property is lacking but according to a press despatch from Chungking it was done to prevent its falling into Japanese hands. From the somewhat meager reports which have reached Hankow through British Naval sources in Changsha, fires were set in the city on November 12 and burned for several days resulting in the destruction of a substantial part of the city. No details have been received concerning the losses of foreign property which

are

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

Political report
November 1938
Hankow, China

-10-

are believed to be severe. The foreigners in the city either took refuge at the oil company installations below the town or in some cases remained in the city. All foreigners, including Americans, were understood to be safe but still remained at their concentration points at the end of the month.

Virtually nothing is known of military developments in this district south of the Yangtze and behind the Japanese lines. North of the river, however, and in the Ta-pieh Mountains the Japanese are known to have conducted operations against the Chinese troops and guerillas remaining in that area. Their efforts are understood thus far to have been inconclusive. The Japanese occupied Lotien (羅田) on November 17, but on the other hand, the Chinese claim to have recaptured it on November 26 and a number of other towns, including Kueishih (国始) and Changcheng (南城) in Honan and Tsungyang (崇阳) in Hupeh. In late November Chinese units were reliably reported to be a scant 20 miles from Hankow, but their strength and composition was unknown.

In the triangle bounded by the Peiping-Hankow railway and the Han river as far upstream as Chungcheiang (鍾祥), small Japanese units are known to have moved about without encountering serious opposition. It was reliably stated that had the Japanese desired to dispatch a column to Shasi, they could probably have done so, there being during the early part of November no organized, well-armed Chinese army in their path. The Japanese, however, could not so extend their position with only those troops available in the Wuhan area until they had completed

mopping-up

Political report
November 1938
Hankow, China

-11-

mopping-up operations to the east of the Heping-Hankow railway.

2. Naval Operations:

The Japanese navy continued in November the effective cooperation it had during previous months rendered Japanese land forces. Its activities were, however, limited by falling water. Late in November there were at and above Hankow eight Japanese destroyers, four minelayers, five gunboats, four torpedoboats, two minesweepers and two auxiliaries. Of other vessels, including those used by the army, there were at and upstream from Hankow 53 transports, 1,306 small craft of various description, 22 tugs, three tankers, 67 supply ships and one hospital ship.

3. Aerial Operations:

Japanese anti-aircraft fire at Hankow on the mornings of November 11 and 28, suggested that Chinese aircraft visited Hankow on those days. Although there were rumours that bombs had been dropped on or near the air-field, there was no conclusive evidence of Chinese raids.

The Japanese conducted aerial operations throughout the month bombing troop concentrations in Hupsh and Hunan, as well as cities and towns over a wide area behind the Chinese lines. In this Consular District, Ichang is known to have suffered heavily while Japanese bombers also visited Chengtu and Chungking in Szechuan Province, Nanchang in Kiangsi Province and Kingmen in Hupsh. Other towns in the district were also visited by Japanese planes where

American

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

Political report
November 1938
Hankow, China

-12-

American citizens are residing but to date no reports of
loans have been received except at Kingmen and Nanchang.*

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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. Amoy/135 FOR despatch # 6

FROM Amoy (MacVitty) DATED Jan. 10, 1939.
TO NAME 1-1127 ..

REGARDING: Sino-Japanese relations.
Report concerning activities
during month of December, 1938.

793.94/
14739

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

(b) Relations with Japan.

1. Military Activity.

79 3.94
There was no military activity of significance in this Consular District during the month of December. Planes were seen over Amoy on six different occasions but it is believed that these were doing routine reconnaissance flying. Guns were heard on only a few occasions during the month.

2. Japanese Arrest Thirteen in Kulangsu.

On December 14 and 16, thirteen Chinese were arrested in Kulangsu and taken to Amoy; allegedly for distributing anti-Japanese hand bills. In view of the Japanese Consulate General's recent demand that Japanese police be added to the Kulangsu police for the protection of Japanese subjects in the Settlement, some Chinese claimed that the bills originated from Japanese sources to support their claim that the Kulangsu authorities were not taking adequate means to suppress elements dangerous to Japanese and Formosan residents. It was reported that the bills were distributed

tributed by young illiterate Chinese.

3. License Fees Increased in Kulangsu.

As stated in this Consulate's political report for November, the Kulangsu Municipal Council informed the Japanese Consul General that his demand that twelve Japanese and Formosans be added to the police force at once, could not be entertained until the matter of increasing the budget by \$30,000 be taken up with the rate payers, to meet the extra cost for police. The Council was apparently coerced by the Japanese threat of landing Japanese marines in the Settlement if ways and means were not found to hire Japanese police, for residents in Kulangsu have been notified that the following increase in license fees will be operative in 1939:

- 1 - Licenses to sell native liquor to be increased from \$3.00 to \$6.00 per quarter year.
- 2 - Pawnbrokers licenses to be increased from \$50 to \$100 per year.
- 3 - Theatre licenses to be increased from \$1.00 to \$2.00 for afternoon programmes and from \$2.00 to \$5.00 per evening programme.
- 4 - Slaughter house fees to be increased from 50 cents to \$1.00 for a goat killed, from \$1.00 to \$2.00 for every pig or calf killed, and from \$2.50 to \$3.50 for every cow killed.

These rates were increased to raise \$30,000 to meet the extra cost of adding twelve Japanese to the Kulangsu police force.

4. Population of Amoy City - Refugees in Kulangsu.

The Japanese "Fukien Daily News" of December

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

- 5 -

and estimated that the population of Amoy City .
had reached 80,000 at the end of November, and
that the population would reach 100,000 by the
end of December. There are no official statistics
available, but it is believed that the above
figures are exaggerated. Forty thousand would
appear to be a liberal estimate of the population
at the present time.

According to a report from the International
Relief Committee, there are now 13,000 refugees in
Kulansu.

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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. Chefoo/141 FOR #44 to Embassy

FROM Chefoo (Roberts) DATED Jan 12, 1939
TO NAME 1-1127 ***

REGARDING: Sino-Japanese conflict: Dec., 1938.
Developments, in summary.

FRG.

793.94 / 14740

14740-

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

B. Relations with Other Countries:

1. Japan:

(a) Military Situation.

There was no change in the military situation at
Chefoo during the month of December. The Japanese
continued

- 8 -

continued to hold Chefoo, Weihaiwei, Fushan and Muping without being able to extend their control beyond the two outposts of Muping and Fushan. There were no signs of special activity about the Japanese headquarters during the month and it appeared that the occupying forces had more or less settled down for the winter.

In the guerrilla controlled territory periodic attacks were made on the coastal towns by Japanese war vessels and air craft which dropped shells, bombs and leaflets. A hill near Penglai upon which the guerrillas had dug trenches and placed dummy guns was a favorite point of attack for the Japanese. Travellers report little or no damage from the Japanese fire on this hill.

(b) Anti-Communism Activities.

The Japanese officials and their Chinese puppets were active early in December in the campaign against communism. The Russian community was persuaded to form an anti-communism association which took in about one hundred of the leading Russian residents of Chefoo. A meeting under Japanese auspices was held December 4, 1938. Prominent Japanese and Chinese officials addressed the Russians in attacks on Generalissimo Chiang Kai-shek.

A manifestation on a much large scale was a series of street meetings culminating in a monster mass meeting of December 5, 1938. The leading schools of Chefoo were compelled

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

- 9 -

compelled to send teachers and pupils to make anti-communism and anti-Chiang Kai-shek speeches on the street corners. The material for the speeches was supplied by the Japanese.

The mass meeting was well organized by the Japanese. Section leaders required householders, business firms, guilds and schools to send definite quotas to the demonstration. Japanese sources claim 30,000 attended the mass meeting. All of the leading municipal and Japanese officials were present and delivered speeches. Among the Japanese was the Chief of the Special Service Mission at Tsingtao.

(c) Guerrilla Activities.

Chefoo was free from guerrilla attacks during the month although there were persistent rumors that the Chinese were planning a serious attack on the Japanese occupying forces at the end of the year. Fear of guerrilla attack was given by the Japanese Commander as a reason for not lifting the curfew from 12:00 midnight to 5:00 A.M. during the holidays as was done in Shanghai.

At Penglai (蓬萊) where the guerrillas said to be under officers of the Eighth Route Army were fighting with the local guerrillas for control of the Penglaishan, a truce was declared. As an outcome of this truce the local forces acting under orders of the

Nationalist

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

- 10 -

Nationalist Government appear to have triumphed over the so-called Eighth Route Army forces. The magistrate of Fenglai is reported to have accepted an appointment under Admiral Shen Hung-lich, Governor of Shantung, representing the Nationalist Government. Final settlement of the local differences was made in a ceremony at which the local officials and the magistrate pledged allegiance to the central government.

American Missionaries operating schools in the Fenglai-Hwanghsien District are jubilant over the success of the central government faction. They feared the activities of the so-called Eighth Route Army crowd, particularly the interference with and the use of schools for military and political purposes. These Americans in close touch with the local population are convinced that they have less to fear from the officials installed by the Central Government.

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

TELEGRAM RECEIVED

RFP
This telegram must be _____ Hong Kong via N. R.
closely paraphrased _____
before being communicated _____
to anyone. (br) _____
FROM _____
Rec'd 7 a.m., _____

Secretary of State

Washington

⁶⁰
~~58~~, February 22, 10 a.m.

paraphrase
COPIES SENT TO
ONE AND M.I.D.
in confidence

Division of
FAR EASTERN AFFAIRS

FEB 23 1939

Department of State

In continuation of my telegram number 58 February
21, 11 a.m., official figures indicate that one British
Indian policeman and eleven Chinese were killed in
British territory by the Japanese bombing yesterday.
Many wounded are reported, some apparently by the
machine gunning in which local officials assert the
Japanese indulged when swooping low over the railway
tracks on the British side of the frontier. The local
government appears more disturbed by this incident than
by any of those which have occurred during more than a
year and has taken a very serious view of it in the
report cabled to London. I have had a confidential
intimation from a responsible source that the Hong Kong
Government report takes the view that the violation of
British territory could not have been in error because
of the quite visible river marking the boundary and
because the planes came down low enough for machine
gunning on the British side of the river. Further
Japanese military activity along the frontier is
anticipated and there have been some minor Japanese
landings

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

RFP #69, February 22, 10 a.m. from Hong Kong via N.R.

landings on the east bank of the Pearl River not far north of Hong Kong. The Japanese are said to claim that Shumchun and other points on the frontier have become stations for the transit of war materials into Chinese territory. In the meanwhile British military and police guards along the frontier have been considerably strengthened ostensibly to handle the increased flow of refugees into British territory. Repeated to Canton, Chungking, Peiping.

SOUTHARD

EMB

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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. 89) of February 28, 1939, from the American Consul General at Hong Kong reads substantially as follows:

Reference is made to the flight on February 21 of Japanese bombing planes over the Hong Kong frontier and the bombing by them in British territory. In its cabled report to London the Hong Kong Government has taken a very serious view of the incident and seems more disturbed over the matter than over any of the incidents which have taken place for over a year. It is reported that many were wounded, some evidently by the machine gunning which, according to Hong Kong officials, the Japanese carried on when they swooped low above the railway line on the British side of the frontier. As a result of the bombing eleven Chinese and one British Indian policeman were killed in British territory, according to official figures. There have been some small landings of Japanese a short distance north of Hong Kong on the east side of the Pearl River and it is expected that there will be further military activity on the part of the Japanese along the frontier. It is said that the Japanese assert that war materials have been transported into Chinese territory through various frontier points, including Shumohun. For the avowed purpose of taking care of the increased passage into British territory of refugees the British police and military guards have been strengthened considerably along the frontier.

The

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

CONFIDENTIAL

-2-

The Consul General has received confidentially from a reliable source a hint that the Hong Kong Government feels that the bombing on British territory could not have been the result of error on the part of the Japanese because the river marking the boundary is quite visible and because the Japanese planes flew low enough on the British side of the river for machine gunning there.

793.94/14741

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FE:Christenson:HES
2-24

HEP
FE
new

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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. Shanghai/123 FOR despatch # 1924

FROM Shanghai (Gauss) DATED Jan. 6, 1939
TO NAME 1-1127 ...

REGARDING:

Sino-Japanese relations. Report concerning-,
during month of December, 1938.

793.94/14742

14742

DECLASSIFIED: E.O. 11652, 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. Japan.

793.94
a. Japanese Policy Pronouncements. The various expositions of policy made during the month by members of the Japanese Cabinet were noted with much interest locally and were extensively commented upon by the local press.* It was generally felt that although these pronouncements were vague as to details, perhaps designedly so, they made clear Japan's determination to establish a new hegemony in the Far East in which both politically and economically she will play a dominating if not exclusive role. Considerable significance was attached to a statement issued by the Headquarters of the Japanese Expeditionary Forces in

Central

* Telegram to Department, no. 1493, December 23, 3 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

- 13 -

Central China in the form of a commentary upon Premier Konoye's statement of December 22. The commentary asserted that the Premier's statement could not be regarded "as indicating any new developments occurring or any prospects of their taking place within the occupied areas of Central China." *

In general, these pronouncements increased the apprehension felt in local foreign circles and this gloom was lightened only by the hope that the firmer attitude shown by the American and British Governments would bring about some measure of appeasement in the situation.

b. Japanese Campaigns against Chinese Guerrillas.

The Japanese gave considerable publicity during the month to the operations carried out by their forces against Chinese guerrillas. According to these reports, extensive and successful operations were undertaken against the guerrillas in the Pootung area, the Soochow-Taishu lake district, the Hangchow-Hsueh area, the Hanking-Wuhu area both to the north and the south of the Yangtze River, in the vicinity of the cities of Jukao and Luho in Kiangsu and in the area between Hsuehchow and Sutsien in northern Kiangsu. In connection with the latter district it may be mentioned that a strip approximately fifty miles in width lying between Hsuehchow and Haichow, has never been entered by the Japanese and reports received from American missionaries residing in that general area indicate that the number of Japanese troops is believed insufficient to drive out the Chinese troop remnants and guerrillas.

Japanese

* Telegram to Department, no. 1500, December 28, 12 noon.

- 14 -

Japanese reports indicate that operations were carried out against approximately eighty thousand guerrillas, that several thousand were killed and wounded and that approximately twelve thousand "surrendered". Japanese claims are substantiated in part by independent foreign observers who state that several thousand Chinese guerrillas in the Taihu Lake area west of Soochow were recently bought over by the Japanese. These sources state further that the Chinese guerrillas in the lower Yangtze area, though still very numerous, have been much less active of late and that many of them are now seemingly less concerned with harassing the Japanese than preying on the country people; this does not apply, however, to the so-called "red" and other organized units.

c. Persecutions of Representatives of the "Reformed Government". Representatives of the "Reformed Government", upon returning to Shanghai from the various conferences which they attended in Japan during the month of November, informed the local press that economic questions were discussed at Osaka and political problems at Tokyo. The results of the conferences were characterized as "highly satisfactory" and it was stated that further conferences would take place either at Shanghai or Nanking in March or April, 1939.

There was considerable Japanese-inspired propaganda concerning the formation of a unified central government but shortly after the departure of the official representatives of the "Reformed Government" to attend a conference at Peiping, it became apparent that the intricate Japanese plans for the establishment of a new central government had again gone awry and that such a government would not make its appearance in the near future.

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Swatow/133 FOR despatch # 35

FROM Swatow (Young) DATED Jan. 9, 1939.
 TO NAME 1-1127 ...

REGARDING: Sino-Japanese conflict: Report concerning
 activities in Swatow Consular district
 during month of December , 1938.

88

793.94/14743

14743

DECLASSIFIED: E.O. 11652, 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
 (b) Relations with Japan.

Scouting and reconnaissance by Japanese naval vessels along the coast line of Eastern Kwangtung together with numerous aerial visits to various parts of the district constituted the only real evidence of the hostilities during the month of December, 1938. It is believed that the listing of these activities in tabular form at the end of the report will satisfactorily reflect their extent and nature. Appendix A shows the "Visits of Japanese Airplanes to Eastern Kwangtung" while Appendix B lists the "Movements of Japanese Naval Vessels along Coast of Eastern Kwangtung". This information has been obtained from the local vernacular newspaper.

Such information as could be gained locally regarding the course of the Sino-Japanese hostilities continued to be the principal subject of conversation and discussion, the belief remaining that as far as Swatow is concerned the time is not yet at hand for its occupation by Japanese forces.

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

DOCUMENT FILE

NOTE

SEE 893.00/14332 FOR telegram # 120, 9 a.m.

FROM China (Chungking) (Peck) DATED Feb. 21, 1939
 TO NAME 1-1127 ***

REGARDING:

Sino-Japanese relations: Military standpoint of Japan, with a view to achieving the "political subjugation" of the Chinese people. Summary of opening address, delivered by Chiang Kai Shek, Chairman of the Peoples Political Council, which opened at Chungking Feb. 12.

793.94/14744

14744

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

EE

JR

PLAIN

Chungking via N. R.

Dated February 21, 1939

Rec'd 8:40 a.m.

Note
793.44

Secretary of State,
Washington.

120, February 21, 9 a.m.

The local press yesterday published its first news concerning the third session of the Peoples Political Council which opened at Chungking on February twelfth and which was attended by one hundred sixteen delegates. The text of the opening address given by the Chairman of the Council, General Chiang Kai Shek, was also published. His address may be summarized as follows: he began by saying that Japan is in a difficult position from a military standpoint and is therefore resorting to political measures with a view to achieving the "political subjugation" of the Chinese people. To cope with this new threat China should apart from continuing military operations and reconstructing lay special emphasis on "special resistance" through integral mobilization of national spirit and national will. Only through spiritual organization of the people, he said, can China utilize to the maximum its latent man power and

893.00
/14332

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

-2- #120, February 21, 9 a.m., from Chungking via N. R.

and resources to drive out the invader and lay the foundation for a rejuvenated China. He asserted that the greatest contribution the Council can make in this regard lies in promoting a united national spirit and in elevating the traditional Chinese morality among the people so as to inspire an unbending will, to kindle a common hatred of the invader and to inculcate in the people self-confidence of the bright future of China. General Chiang elaborated on the task of spiritual mobilization saying that it is essential for the people to embrace a "common morality" by which is meant that individual interest should be subordinated to those of the community, that common faith should be centered on the three people principles and that the common goal should be the Chinese political philosophy of "world brotherhood". He complimented the Council for its past achievements in supporting resistance and reconstructing and urged the delegates to participate in the second period of hostilities with a view to mobilizing the resources of the free and occupied areas in order to complete the program of national independence and reconstruction. In conclusion he admonished the delegates freely to present the opinions of the people to

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

-3- #120, February 21, 9 a.m., from Chungking via N. R.

to the government in order to cement relations
between the government and the people.

Repeated to Peiping.

PECK

KLP

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

*Copy sent to
Treasury in
confidence*

TELEGRAM RECEIVED

EDA

GRAY

FROM TOKYO

Dated February 23, 1939

Received 6:53 a.m.

Secretary of State

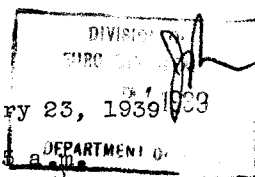
Washington

106, February 23, 7 p.m.

My British colleague informs me that he received today from the Minister for Foreign Affairs an expression of regret on the part of the Japanese Government for the recent instance of bombing by Japanese airplanes near Hong Kong, an undertaking to pay indemnification for loss of life and property, and assurance against recurrence of such incidents in British territory.

GREW

RR

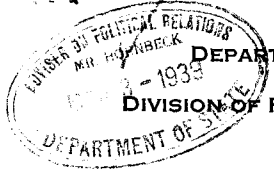


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FEB 23 1939

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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 28, 1939.

Reference letter of December 30, 1938, from W. H. Donald to H. J. Timperley.

In this lengthy communication Mr. Donald gives much information which has already reached the Department from other sources.

Of outstanding interest is Mr. Donald's story of the Wang Ching-wei episode which you may wish to read in its entirety (pages 10-12 and page 15). Mr. Donald concludes that Wang does not have the courage to head a new puppet government even if he possesses the desire. Mr. Donald also believes that Wang is being used by the Italians and Germans who wish to get Japan out of China because they sorely need her army and navy for the consummation of their expansion plans in Europe, which are sure to crash into Russian interests before they go far.

In discussing Japanese-occupied territory Mr. Donald points out that "so far as foreign interests are concerned Japan has, in reality, 'occupied' that area, but so far as the Chinese are concerned she has not".

Considerable space is devoted to descriptions of general conditions, communications, "new life in the far west", and industrial development, including detailed

description

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

-2-

description of the industrial cooperatives which are being set up in many sections of the country.

Mr. Donald states that China will go on fighting and that the present military ~~will~~ does not indicate that the Japanese intend to stop where they are. The Chinese believe that if the democracies would help China they would at the same time destroy the menace of the dictators both in Europe and in Latin America.

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Department of State letter, August 10, 1972
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FEB 20 1939
Department of State
file

The subjoined letter written by Mr. W.H.Donald,
Confidential Adviser to Generalissimo Chiang
Kai-shek, gives a detailed account of the present
situation in China. It has been received by
Mr. H.J.Timperley from Chungking.

It is communicated to you on the understanding
that it is for your private information and,
whilst judicious quotation is permissible, it
is not to be published in extenso.

UNDER SECRETARY OF STATE
MAR 4 - 1939
MR. WELLES

793.94/14746

ADVISER ON POLITICAL RELATIONS
MIC. HORNBECK
MAR 3 - 1939
DEPARTMENT OF STATE

EARL H. LEAF

F/FG

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

HEADQUARTERS OF THE GENERALISSIMO

Chungking, Szechwan
China
December 30, 1938

Dear Timperley,

It is a long time since I have been able to attend to personal correspondence. I was ill from July to the middle of October with fever. In consequence of that I was absent in Yunnan and Indo-China, and therefore far away from mail deliveries. I returned to Hankow on October 23, and left the next night, the 24th, with Generalissimo and Madame Chiang Kai-shek. Since that time we have been visiting various fronts in Hupeh, Hunan, Kiangsi, and Kwantung, reaching Chungking in December. Not till we got here was I able to attend to correspondence. Therefore this long delay in acknowledging letters which you addressed to me.

Since I last wrote, innumerable cities in China have gone up in smoke and dust, and veritable rivers of blood have flown on various fronts.

My last letters were written before the fall of Hankow. At that period the Chinese army was fighting everywhere with great courage and determination. They had to fall back whenever concentration of Japanese artillery and bombing planes threatened the annihilation of large forces, but the Chinese made the Japanese pay a high price for whatever advances they made.

The strategical policy for the first phase of the war was to hold positions as long as possible and then withdraw to new lines. This policy ended after the withdrawal from Hankow and the capitulation of Canton.

The first phase lasted from the outbreak of the war in July, 1937, to the end of October, 1938.

The second phase is now developing. The strategy now being followed is that of nation-wide mobile fronts, with intensification of guerrilla warfare and reinforcement of Chinese military and political strength behind the Japanese lines - or, in that territory which the Japanese claim to have "occupied."

After the fall of Hankow reconditioning of divisions, and readjustment of various military units, was undertaken. Henceforth there is to be more intensive training of the fighting forces before they go into action.

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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 -

Political workers will operate on a large scale in the "occupied" territories to fortify the morale of the people; to effect the collapse of the puppet regimes; to eradicate traitors, and to disaffect the Japanese subsidised troops - the Manchurian Chinese and Mongol soldiers who have been enlisted by the Japanese.

The Japanese now claim that they have "occupied" 75 per cent of China's territory, but they still call the war they have waged to effect that "occupation" an "incident."

When the Japanese began the invasion they avowed that they would win a quick victory over China. They declared that they were not seeking any territory, had no intention of injuring or affecting the interests of foreign powers, and were, above all, not fighting against the Chinese people.

The 18 months since the war began have proved the Japanese to have lied in every way except with regard to their claim that the aggression was merely an "incident". Time has demonstrated that the Japanese have desolated more territory, killed more non-combatants, destroyed more cities, stolen more property, and caused a greater displacement of human beings than probably has been ever accomplished by any war in history.

Not only have the Japanese inflicted these tragedies and losses upon China but they have studiously operated to destroy the commercial and vested interests of democratic powers, and, to crown it all, have at last confessed that their definite intention is to set up "a new order in East Asia" under which only those nations who subscribe to its conditions will be accorded commercial facilities and freedom of action within certain limits.

All of this destruction of life and property and trade has been carried out in accordance with the threat made by the Japanese Premier, Prince Konoye, on August 28, 1937, when he declared that it was the intention of Japan to "beat China to her knees so that she may no longer have the spirit to fight."

Japan has pursued that purpose with calculated and sinister intensity. And in connection with the revealing developments that have taken place since Japan's opening declarations and promises it is interesting to recall that on September 12, 1937, when Madame Chiang Kai-shek was broadcasting to America, she hazarded a forecast based upon information available here, that Japan was bent upon conquering China in order to establish a new empire in Asia. Her words were :

"They (the Japanese) are convinced that the powers dare not oppose them. So they are proceeding with plans of conquest confident that they will be able to devastate China, and, in time, drive out western cultural and commercial influences, so that, if we Chinese cannot prevent them, they may erect upon the ashes of China a world-shaking Japanese continental empire. It will not be founded upon international ethics (for Japan has already crippled those), but

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

- 3 -

upon militarised force. At least they expect to control all lands where the Oriental races live, and eventually determine international conduct and policies."

At the time that Madame Chian Kai-shek made that forecast it was scoffed at by people in the outside world, and was denounced by the Japanese, who asserted again and again that they were actuated in their struggle by noble intentions motivated by a desire and determination to secure peace in Asia free from Red menaces, where all foreign countries could pursue their rightful ways in commerce and in culture.

Within a year of their aggression the Japanese falsified their declaration. And just a fortnight ago they took their courage, or their audacity, in their hands to announce to the world that the old order had passed, and that they were busily engaged setting up a new one which would give them the control of the whole of Asia, and, indeed, the Pacific.

In the meantime those foreign powers who have substantial and time-honored interests in China have found those interests not only flouted by the Japanese but deliberately menaced. Indeed Japan has given expression to the inuendo that it is her intention to let foreign interests go by the board unless the powers concerned expressly agree to her hegemony of Asia and the Pacific.

During the past 18 months China has been fighting a single-handed war against a nation who was believed by the world to have built up a military and naval organisation of a calibre well-nigh invincible. Not only has China fought this mightily armed Japan, but she has, in addition, in fact, been engaged against those democratic powers who have consistently succored Japan by supplying her with equipment and material designed to shatter to pieces the lives and property of the Chinese.

That support of Japan by the democracies is the worst aspect of this war, which the Japanese keep calling an "incident", and which designation none of the powers have had the temerity to challenge.

China rushed into action, with what appeared to be reckless bravery, with her troops ill-armed, to meet the great aggregation of strength which Japan put into the field - with the specific and declared object of delivering one smashing coup de main to finish the job quickly - but as time has gone on China has shown her ability and courage to meet her enemy, though she has been unable to replace her losses of equipment, especially aerial, or acquire new modern arms.

The navy of Japan, like a sledge hammer crushing a mosquito, blockaded all the coast of China. Time has demonstrated that she was merely patrolling empty ports so far as the Chinese were concerned, but had incidentally, if not intentionally, scored a major point against the foreign powers by crippling their import trade into China and ruining their economic connections in all directions.

114

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

- 4 -

The Japanese military machine discovered, too, that with its advance into China, costly and slow and exasperating though it might be, it was accomplishing the wreckage of foreign commercial and political connections with interior China, and, in the majority of cases, had managed to tear up foreign prestige by the roots. This in itself was a triumph for Japan, and, perhaps, an ample measure of compensation for her inability to wreck Chinese morale, or her slowness in breaking down Chinese resistance. Japan has been able, until now, to prevent foreigners from employing their ships upon the waters of the Yangtze, and the Pearl and West rivers, to say nothing of her success in forbidding foreigners from going about their lawful business throughout the 75 per cent of the Chinese territory which Japan now claims to have "occupied".

Japanese "Occupation" Precarious

So far as foreign interests are concerned Japan has, in reality, "occupied" that area, but so far as the Chinese are concerned she has not. Her "occupation" has been confined to precarious lines of communication, and some cities. All lines of communication are constantly being torn up or interrupted by attacks by Chinese troops or guerrillas, and in the case of every city "occupied" the Japanese dare not go outside of their defences after dark, and only may do so in the daylight in large well-armed units. In all the rest of the territory the Chinese go about as they please, especially after dark.

What this "occupation" amounts to is indicated by significant figures given out by the President of the Executive Yuan. They show that

the withdrawal of Chinese troops before the overwhelming armament of the Japanese has, after 18 months of resistance, left 796 hsien (or counties) in the nine provinces of Kiangsu, Chekiang, Anhwei, Kiangsi, Shantung, Honan, Shansi, Hupeh, and Hopeh, unprotected by the regular Chinese army.

Falsifying the Japanese claim that they have "occupied" these counties is the fact that in 489 of them the District Magistrates appointed by, and working under, the Central Government, are still exercising full authority; in 248 of them the Magistrates are exercising partial authority, while only in 59 districts have the Magistrates been unable to function at all.

Not only have the Japanese troops not gained indisputable domination of these so-called "occupied" areas, but it is impossible for the Japanese army to control even a portion of the territory.

With gradual restoration of Chinese Government political control in these areas (revealed with remarkable impressiveness in articles on "Resurgence in China" published in "The Times" on October 12 and 13 last) there will be sown, as the President of the Executive Yuan put it, "one of the seeds of Japan's downfall."

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

- 5 -

At no time during the past 18 months have the Japanese been able peacefully to exploit any of these regions. The actions of the Japanese military in trying to force down prices of raw materials have been met by passive resistance manifested in many cases, for instance, by farmers ploughing in their cotton to plant wheat, and wool-growers in west China and Inner Mongolia allowing the wool to spoil on the backs of their sheep rather than submit to low prices being forced upon them. Adulteration of beans and grain purchases with dirt and water is rampant.

Guerilla activity and passive resistance, to say nothing of sabotage and general hostility will, in the end, prevent the Japanese exploiting China, and will certainly ruin any foreign interests who seek profits by financial or other cooperation with the Japanese. This significant fact has at last been discovered by the British merchants concentrated at Shanghai, as they are reported to have demonstrated in no uncertain way in their recent conferences with the British Ambassador and the British Admiral at Shanghai. They realize that the Japanese will, if they succeed in creating puppet regimes, use those organizations as instruments to flout, and undermine, and destroy, foreign vested interests and commercial and industrial undertakings.

Puppet Regimes

The Japanese have, ever since they occupied Peiping and Nanking, been trying to set up puppet regimes which would appear convincing to foreign powers, and be able to carry influence with the Chinese people. The Japanese have so far failed to do this because they have not been able to persuade any Chinese sufficiently respectable to take up office. Neither in Peiping nor Nanking does the puppet regime carry any weight outside the walls of those cities. It is questionable if they hold sway within the walls. The Japanese had made great preparations for a unity of the two puppets a few months ago, but had to cancel it because General Wu Pei-fu, upon whom they depended, refused, at the eleventh hour, to come out.

It is interesting to note that General Wu Pei-fu demanded uncontrolled command of 60,000 troops, well-equipped and paid. It is more interesting to realize that Prince Konoye, so anxious to have some kind of "government" established, urged that General Wu Pei-fu's requirements be met. The Japanese military, having learned a few painful lessons in the past, refused to arm General Wu Pei-fu so that he, or the officers under him, could successfully turn and bite the hand that fed them. So the amalgamation of the two regimes is, at this writing, still unaccomplished.

However, the Japanese, convinced that the amalgamation would be effected, and that the "new government" would be launched about Christmas time with great pomp and circumstance and authority, began counting their chickens before they were hatched. Cocksured of success, they (to be Irish) opened their mouths and let the cat out of the bag.

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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

- 6 -

It was Prince Konoye who awakened the diplomatic world to the menace behind Japanese activities when, on December 22nd last, he defined "the new regulation of the relations between Japan and 'new China'." In this revelation of policy the Prince callously swallowed all of Japan's previous declarations to foreign powers. His announcement that a "new order" would be established in East Asia, was emphasised by the implication that business could only be done with the "new order" by nations who toed the line.

The puppet officials at Nanking promptly answered the whip-crack of their new masters by publicly proclaiming that the "new China" would support the "new order" by abrogating unequal treaties, by abolishing foreign concessions and extraterritoriality, and by compelling the withdrawal of foreign troops from China. The "new order in East Asia" will, in time, embrace complete domination by Japan of all Asiatic countries and peoples, as well as mastery of the Pacific for the mention of the cardinal point "East" can be disregarded. All this, without a "by your leave or beg your pardon" from Japan to any of the democratic foreign powers, though, no doubt, with loud applause and fervid encouragement from those of totalitarian tinge.

However, as I have indicated, suitable instruments which were to have been used as the lever and the fulcrum to hoist this "new order" into being have not yet materialised from the dreams of the Japanese. Whether or not the democratic foreign powers, who have been permitted to discover from these declarations the fate that the Japanese have in store for them, will now act to frustrate the plans for their undoing remains to be seen.

The Japanese have, with vicious ferocity, desolated vast areas of China, have massacred hundreds of thousands of innocent Chinese, have demolished their homes and their businesses, have caused millions of peaceful and poor people to migrate westwards, and, even worse than that, have been guilty of unparalleled rape and rapine, and have, with calculated remorselessness, set about the demoralization as well as the impoverishment of survivors by destroying or removing means of livelihood and setting loose a deluge of opium and narcotics upon the land. That is a summary of the gross inhumanities which the whole world is tolerating.

China's New Spirit

China has been able to survive during the past 18 months and keep armies resisting in the field quite contrary to the ideas and expectations, not only of foreign nations and observers, but of the Japanese themselves. She has been able to do so because foreigners, including the Japanese, have failed to recognise the new spirit that has been born in China. That spirit is manifested in the heroic stand Chinese troops have been making with unshaken bravery against concentrations of death-dealing weapons as great as, if not greater than, any that were used in the Great War. The Chinese soldiers have proved, by valorous manual combat, that man to man they are superior to the Japanese. Testimony on this point comes from foreign observers who witnessed fighting in many places on many fronts.

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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

- 7 -

Foreigners have laughed with scorn at the New Life Movement, and other measures, which have been responsible for transforming China from a nation of pacifists, or cowards, into a nation prepared to shed streams of its blood in defence of its heritage.

As Japanese superior armament decimated the Chinese forces new troops kept on filling the trenches until China now has, for the first time in her history, a citizen's army. This force has been recruited during the war. The young soldiers know why they have joined the army, and they are prepared to give their lives in trying to defend their country against occupation or subjugation by the Japanese. This army is now wholly composed of youth, with a large proportion of students. They march in singing from all the provinces, and with them - which is a striking development in China - march hundreds of girls and younger students, from middle and high schools, who go to the front lines for various services, some carrying arms and using them. This appearance of the girls on battle fronts is a departure which may prove a surprise to the world but which has proved to be of great value to China. One of the commanders at Tierchwang said that the victory there (which was China's first big victory over Japanese forces) was due to the efforts of the young people who were working among the soldiers and officers. The sight of these young people marching from distant provinces - some of them hundreds of miles of mountainous roads away - to the front is a thrilling one. But an even more stimulating sight is that of the girls and women who are training in thousands behind the lines, in near and far distant villages and towns, for later service in the cause of their country.

When Japan began what she thought would be a simple task to subjugate China she apparently overlooked the tremendous obstacle which 450,000,000 human beings would be to her advance and her attempt to conquer the country, even if they passively laid their bodies upon the railways and highways. Japan with all her professed intimate knowledge of China, never expected the Chinese to exert themselves, especially in war against the super-soldiers - the sacred and invincible army - of Japan. But the Japanese seem to have been the only foreigners who know China who could not see that a new spirit was fast developing in this country. Or did their amazing conceit blind them?

Financial Measures

In addition to what flesh and blood are contributing to the resistance of the Japanese invaders certain steps taken by the government at the outset enabled the coffers to stand the strain of expenditure. The fiscal measures introduced to prevent a possible crisis in the currency market included, the Minister of Finance says, the creation of a joint discount and credit extension through the four issuing banks - Central Bank, Bank of China, Bank of Communications, and Farmer's Bank - which enables them to grant discounts on bills and securities and extend credit in order to facilitate the circulation of capital and to assist trade, industry, and agriculture adversely affected by the war.

Last April regulations were issued to improve the local currency structure

0156

DECLASSIFIED: E.O. 11652, 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 -

to permit agriculture, timber, industrial and mining industries in the interior to obtain capital for the exploitation of natural resources.

In March last foreign exchange control was introduced to stabilize foreign exchange and promote export trade. Special measures were adopted to increase the export of Chinese products - measures governing exporters' purchase of foreign exchange.

Revenue derivable from the Customs, Salt and Consolidated Tax Administrations has been considerably affected. To cope with the situation Customs authorities readjusted the Transit Duty by setting up more collecting stations at important overland and waterway towns. The Consolidated Tax revenue has materially increased following the promulgation of regulations governing the collection of the Stamp Tax and the enforcement of the Consolidated Tax in the four provinces of Yunnan, Chinghai (Kokonor), Sikong (western Szechwan), and Sinkiang (Chinese Turkestan).

The Income Tax for the 25th fiscal year (July 1, 1936, to June 30, 1937), is reported to have exceeded the budgeted income. Although the returns for the 26th fiscal year are not yet in the Minister of Finance says the indications are that they will triple those of the previous year. The chief new sources of revenue to be tapped are the Inheritance Tax and War Profit Tax, for which regulations have just been passed by the Legislative Yuan. Despite the financial difficulties the Government has exempted the peasants from paying the Farm Tax in arrears before 1936, and has also abolished the new Farm Tax introduced in 1937.

With regard to loans, the Minister of Finance points out, the government has so far floated only approximately \$1,500,000,000. These are \$500,000,000 Liberty Bonds for 1937; \$500,000,000 National Defence Loan for 1938; Customs Gold Unit \$100,000,000; \$50,000,000 (United States Currency); £10,000,000, and \$30,000,000 Relief Loan.

An unending stream of patriotic contributions from Overseas Chinese serves to bolster Chinese finance and economy.

Economic reconstruction is being pursued as effectively as circumstances permit, the Minister of Economics asserts. To develop agriculture, industry, commerce and mining, and to expand war-time production and promote foreign trade, commissions have been formed under the title of Agricultural Commission, Industrial and Mining Commission, and Foreign Trade Commission. The Ministry of Finance provided \$30,000,000 capital for the Agricultural Commission, \$10,000,000 for the Industrial and Mining Commission, and \$20,000,000 for the Foreign Trade Commission to readjust domestic trade and maintain the export market.

Coupled with foreign exchange control the Government instituted trade control to build up its foreign exchange reserve in order to meet the demand for foreign exchange to pay off the heavy inflow of munitions from abroad.

015

DECLASSIFIED: E.O. 11652, 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 total export between January and July, 1938, was valued at more than \$90,000,000, while the foreign exchange accumulated up to September last had reached \$60,000,000.

To promote productive enterprises in the interior and mobilize the entire country's farmers and laborers, the Commission for the Promotion of Agriculture and the National Industrial Co-operative Society are to conduct research and introduce scientific methods of production. Attention, meantime, is being directed toward the construction of a net-work of trade routes with the outside world, and to the betterment of foreign trade machinery.

The Ministry of Economic Affairs is devoting its efforts to the strengthening of rural economy, the readjustment of transportation and marketing of farm products, the rationalization of agricultural organization, and the migration to, and reclamation of, waste lands by refugees from the war zones. The Ministry is also reinforcing the machinery of commerce and trade, and fostering the market for native goods. Irrigation and construction of communication routes are also being undertaken.

I have given these facts, just gleaned from a statement by the President of the Executive Yuan, to indicate how this country has hung on for 18 months, and what it is doing to persevere with its resistance.

Munitions Supply

The cost should be less now than it was during the first phase of the war, but expenditure on munitions and equipment will be higher owing to the increased rates due to road transport from the Burma border. However, there were, on hand, sufficient munitions to keep the armies supplied for nine months or a year when Canton fell.

The road from Burma is now operating, and the transport authorities on the Chinese side are arranging for stations to be established along the way for the service of the transport. These will include medical stations every 60 kilometres (with quinine and other necessities to be given free of cost to anyone who reports with illness), repair stations for trucks, and stables for relays of transport animals.

In addition to trucks the transport people will use bullock carts and pack animals to carry material for which there is no particular hurry. An effort is being made to get second-hand motor car axles and wheels to be fitted to bodies and shafts to be drawn by animals. One such vehicle, having ball-bearings, will carry a ton or more with two animals hauling it - so it is said. Every means of transport available will be tested out. Another new road has been made from Kunming, Yunnan, to the Yangtze river, near Luchow. The grades are easier and the route is shorter than the highway passing through Kweichow. Also, the Yangtze river can be used for quite

115

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

- 10 -

a distance to Chungking, or the Min river can carry cargo up to Chengtu for transport into Shensi by road.

Ambassador Nelson T. Johnson, of the United States of America, was recalled to Washington by President Roosevelt, and was instructed to travel by car over the road from Chungking to Rangoon, in Burma. The Ambassador left in company with Major J. M. McHugh, the Assistant Naval Attache, and one Chinese driver. I had letters from them from Kweiyang and Kunming, and a wire came from Lake Tali, reporting an interesting journey. They arrived at Rangoon yesterday morning, according to a radio broadcast from London, having travelled 2,100 miles in 13 days. Apparently the American authorities were desirous of having first-hand information regarding the feasibility of the road as a transport artery. As the new road will soon be opened from Yunnan to the Yangtze river at Luchow, transport will be easier, and speedier by several days.

Whether or not transport along the Burma-Yunnan road is going to be smooth remains to be seen. There is reliable evidence that the Japanese are working strenuously to arrange for the disruption of traffic. They long ago started to stir up the Burmese, using their usual methods, and they are trying to arm the tribesmen, who live in the part of Yunnan traversed by the road, to destroy truck or other caravans, and cut the bridges and roadway. What success will attend their efforts cannot be told yet, but already they have managed to have demonstrations of Burmese in Rangoon which have led to bloodshed. The "Burma for the Burmese" slogan that was being cried is part and parcel of the "Asia for the Asiatics" which Japan herself is now crying. Burma is one of the Asiatic states Japan expects to have in her "East" Asiatic "New Order". She shows thus that the "East" is but dust for the eyes of the stupid foreign devils. Already Japan thinks she has Siam in her scheme and she also aims at and counts upon getting India.

Wang Ching-wei Episode

January 1, 1939

All this should indicate to you that resistance is going on, and any talk about peace should be discounted unless suggestions for peace that will safeguard China's complete sovereignty emanate directly from the Japanese side. There has been much gossip about Wang Ching-wei being on a peace mission for the Chinese Government. He certainly left Chungking, and did say something in Yunnan about trying for peace, but he is without authority. I personally believe, however, that the Japanese are very anxious for peace.

For your information the present story is this : Wang is one of the small pro-Japanese party which has always existed. They are credited with thinking more of themselves, their profit and power, than of their country. Be that as it may, most of them have been ostentatiously displaying their patriotism since the war began. But Wang Ching-wei has been out of the picture for some time so far as real political influence goes. He probably feels that

015

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

- 11 -

if he can arrange acceptable terms with the Japanese there will be a large element ready to accept anything so long as they can be secured in whatever they may be holding. This particular attitude of Wang was apparently crystallized recently by his acceptance of the views of some of his followers who keep in touch, possibly indirectly, with the Japanese. Some of that group were in Hankow after the withdrawal. The one-armed Father Jacquinet, of "neutral zone" fame, was there also. His story here is that he was inspired to thoughts of peace by the sight of Japanese troops coming into Hankow down-at-heel, and war-weary, many bearing the scars of old wounds. He saw the Japanese Admiral, then in command at Hankow, and asked, what about peace ?

Said the Japanese Admiral to Jacquinet (ineffect): "We of the Japanese navy want peace; this war is leading Japan to suicide; but we are under the Government, and the Government is under the military. But if the Chinese desire peace maybe it can be arranged."

The energetic Jacquinet promptly decided to try to be the peacemaker. He spoke to Wang Ching-wei's representatives in Hankow suggesting to them that the chance was good for Wang to emerge from the political shadows and achieve renewed national prominence. They were eager for that, and, willingly enough, they wired to Wang suggesting that Jacquinet go to Chungking for a conference with him. They also took the precaution to wire similarly to the President of the Executive Yuan. The latter did not openly encourage the expedition of the Padre, but, apparently, Wang acquiesced.

Jacquinet appeared here in due course. He did not see the Generalissimo, and Madame Chiang Kai-shek was "too busy" to see him when one of the secretaries transmitted to her on his behalf a request for an interview.

Madame Chiang told the secretary that "she would not see anyone who was trying to work with the Japanese to try to get peace at the expense of China." But the President of the Executive Yuan saw him. In the talk Jacquinet explained what happened at Hankow, as related above, but got nothing in the way of encouragement. Instead, the old Father was told very plainly that the Chinese were fighting for their lives and their heritage and intended to keep on fighting while "invaders occupied their country."

The Generalissimo had to go to the Shensi front, and took off for Sian on December 20. On the 18th Wang Ching-wei saw the Generalissimo, who was to have left the following day, and told him that he (Wang) was going to Chengtu to address a gathering. The next the Generalissimo heard of Wang was while he was in Sian. (It was, by the way, the second anniversary of the Generalissimo's detention there.) He was surprised to receive a telegram from the Governor of Yunnan province saying that Wang had appeared there, having arrived by airplane; had told the Governor that he (Wang) thought there was a chance to have peace; asked the Governor to support him; said that the Generalissimo had twice told him (Wang) that peace with Japan was acceptable so long as China was not destroyed, and thus gave some verisimilitude to the genuineness of his "mission." But the Governor suspected him, wired the details of the statement to the

- 12 -

Generalissimo, and asked: "Do you know anything about this?"

The Generalissimo replied that he did not know anything about it, and added that there was no question of peace on Japan's terms; that he had not discussed the question as Wang reported, and that China was continuing with her resistance with intensified determination.

The Generalissimo and Madame Chiang arrived from Sian on the afternoon of Christmas Eve. (Two years ago we got out of Sian on Christmas Day.) That evening at dinner we were talking about Wang when the Generalissimo told me that I could inform both the British and American Embassies that Wang was not empowered to talk peace to anyone; that if he did so he spoke on his own behalf and had no authority to speak on behalf of the Government or the Party; that China was not only not thinking of peace on Japan's terms, but was actively preparing to continue her resistance with intensified effort. I gave this message by telephone to J.D.Greenway, of the British Embassy, about 7.30 p.m. on the night of Christmas Eve, and asked him to pass it on to the American Chargé (Willys R. Peck) whose telephone number I did not know. Greenway informed Peck later that evening.

The air was thick with rumors, mostly circulated by the Japanese radio services. They reported that Wang had "escaped" from Chungking; was the victim of political intrigue, and so on.

So far as we then knew Wang was in Hanoi. The news given out here was that he had gone on a private trip to Kunming at the invitation of the Governor of that province. Speculation was rife in Hongkong, where Wang was expected to turn up at any moment and enter into peace negotiations with the Japanese. The Japanese said so. No doubt they will talk peace with anyone whom they think might serve their purpose.

The Generalissimo sent a gentle message to Wang suggesting that he return as soon as he had recovered from the illness which took him to the French doctors at Hanoi.

Chiang's Answer to Konoye

It was on December 22 that Prince Konoye made his declaration at Tokyo "telling the world" that Japan had triumphantly enmeshed "new China" in a "new order in East Asia," and was more determined than ever to annihilate "the Chiang Kai-shek regime." The patronizing Prince also announced that Japan would be glad to see any foreign nation who would subscribe to that "new order" doing business in China.

On December 26 the Generalissimo definitely scotched the idea that the Chinese Government was bent upon initiating peace talks. He "took occasion by the hand" to speak at the regular Monday Memorial Meeting at the Central Kuomintang Headquarters. He referred to Wang Ching-wei, and traversed the

115

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

- 13 -

whole of Prince Konoye's statement, branding it as a confession of Japan's ambition completely to subjugate China and dominate the Far East.

The Generalissimo stated that on all war fronts the fighting morale of the troops was extremely high since the soldiers were fully cognizant of Japan's intentions, and understood that China must oppose her enemy with all her resources in order to save the country. The people, he said, were also fully aware of Japan's dangerous and aggressive design, and knew that "we cannot expect to survive without seeking life through risking death."

While stating that Prince Konoye's pronouncement was "scarcely worthy of a reply," the Generalissimo asserted that since the issue of the manifesto by the Japanese Government on November 3, there had appeared "strange and illogical statements" made by the Japanese Prime Minister, Minister of War, Minister of Navy, and Minister of Foreign Affairs. Their intention was, he added, "to misguide their own people and hoodwink the world."

The Generalissimo said that he was rather concerned "lest sections of people throughout the world may not understand the danger that lurked behind the Konoye smoke-screen, and may regard the issues raised as rather innocuous."

When Konoye talked about a "new China," explained the Generalissimo, he meant that "it was the intention of the Japanese militarists to exterminate the independent China and create a vassal China. By using the threat of a Red peril as a pretext, the Japanese wanted to control China's military affairs. By alleging an intention to uphold Oriental civilization they aimed to uproot China's racial culture. By claiming to eliminate economic barriers they designed to undermine American and European prestige so as to dominate the Pacific. By utilizing the so-called 'economic unity of Japan, Manchukuo, and China,' or, 'economic bloc,' they aspired to strangle China's economic arteries."

Simply speaking, said the Generalissimo, this so-called "new order in East Asia," may be regarded as "an all-inclusive term for doing away with international order in East Asia, creating a vassal China with which to dominate the Pacific, and to dismember the other States of the world."

When Konoye was talking, the Generalissimo said, his intended audience was obviously the American and European countries and the world at large. Konoye exercised special care in the choice of words, pretending that what he wanted of China was neither territory nor war indemnity, and that Japan was planning not for her own private interests but for the benefit of the general situation in the Far East. Konoye even ventured to say that he desired China to become a completely independent state. Konoye's calculations seemed to be based upon the assumption that the world still does not understand the real meaning of the so-called "new order in East Asia."

The Generalissimo declared that when Japan entered the Anti-Comintern bloc it was neither to oppose Communism nor to prepare for war against Soviet Russia, but to borrow the term to exterminate China.

- 14 -

"If China could now consent to Japanese troops being stationed in North China," he added, "and allow Inner Mongolia to be set aside as a special area, as Japan now demands, China would not have begun the armed resistance on July 7, 1937. If, too, China were prompted by fear to allow Japan to station forces in North China, the Nationalist troops would not have fought their way to Peiping when the Revolutionary troops were stopped by Kanaka in Tsinan in 1928. For the same reason," the Generalissimo emphasized, "China would have allowed Japan to take North China and Inner Mongolia. For her to make such demands at the present time betrayed a poor understanding of modern China."

The Generalissimo stigmatized Konoye's terms as "many times more comprehensive and viciously severe than Hirota's much advertized 'three principles.' Since even before the war," asked the Generalissimo, "China could not accept Hirota's 'three principles,' how could the enemy entertain the unwarranted hope that China is going to accept the Konoye demands which were aimed at her national subjugation?"

"In so far as plans and imagined means for subjugating China are concerned, the Japanese militarists have them all. What is still lacking, however, is a China which can be deceived or threatened into surrender. The situation being as it is, if we hope to live under a tiger's chin, and to secure independence and equality for our nation through peace and compromise, we shall not be different from a lunatic talking in his dream." Thus the Generalissimo, and he asked, "how could a nation of 60,000,000 people destroy a large country which has thousands of years of history and a population of 450,000,000 people?"

"The aims of this war, in so far as China is concerned," he added, "are to complete the task of national revolution and to secure for China independence, liberty, and equality, and internationally to uphold right and justice, to restore the sanctity of treaties, and to rebuild peace and order. This is war between might and right, it is a war between a law observer and a law breaker. It is a war between justice and brute force. A Chinese proverb says, 'The virtuous one is never alone; instead he always has neighbors.' Right and justice must emerge victorious. We must hold fast to our stand, fix our eyes on our goal, and be firmly determined. The greater the difficulties are, the stronger we resist. The entire nation carries on the struggle. The final victory must be ours. I hope our comrades, and the armies, and the people of the nation as a whole will redouble their efforts to attain our goal."

That is China's answer to Prince Konoye's proposition for a "new order in East Asia" at the expense of China.

In referring, during this speech, to Mr. Wang Ching-wei's departure and alleged peace talk, the Generalissimo said that he was confident "that none of our people, knowing the major issues at stake, and familiar with the situation itself, still cherish the idea of a compromise for peace with Japan. Mr. Wang, fully aware of the Japanese militarists' designs to conquer China, will naturally feel all the more antagonistic to the Japanese militarists," and he added that he felt sure Mr. Wang would display "the spirit of common effort in the country's

- 15 -

service by seeing the war through and sharing the responsibility of surmounting the national crisis."

This statement by the Generalissimo not only knocks talk of peace on the head, but, also, settles the question of Mr. Wang Ching-wei's authority to talk peace on behalf of China.

Japanese Intrigue

The Japanese are working hard upon Mr. Wang, and maybe they will try to persuade him to wear the mantle of a puppet and head their "new government." I think, however, that Wang has not the courage to do that, even if he possesses the desire.

The Japanese have, however, previously made several efforts to involve Wang Ching-wei in peace talks. When the direct German efforts on behalf of Japan failed about Christmas Day, 1937, the Japanese eventually got the Italians to sound Wang. At first he was approached by the Italian Ambassador, and, later, by the Italian Chargé d'Affaires, who suggested that if the Generalissimo would retire and Wang would write a letter to the Foreign Minister in Tokyo saying that when the war concluded, China would have no resentment against Japan and that there would be no more anti-Japanese feeling or agitation, the Japanese would be content to withdraw their troops upon terms easy for China.

At that time Wang was wise enough to ask why the Italian Chargé approached him. The reply was that they could not very well ask the Generalissimo to write such a letter.

Wang, to his credit, be it said, informed the Generalissimo of this overture. He also informed him of a second effort, when the Italian Chargé did not suggest the retirement of the Generalissimo and suggested that the Japanese would be content with a letter from Wang Ching-wei.

However, I heard later, from a foreign diplomat, that Wang Ching-wei did set down in writing some peace suggestions to the Italian Ambassador. Whether or not the Ambassador passed them on to Japan, I do not know. If he did, the Japanese apparently did not then make anything public, or try to act upon them, obviously knowing that Wang's weight did not count for much in the scale against the weight of resistance under way to save China's national honour.

That the Japanese entertained hopes that sooner or later they would be able to catch and use Wang is clear from what has just happened. They probably believe they can compromise him so much that he might be ready to succumb to their allures and allow himself to head a peace movement to break down national unity, if not to be set up as the head of the new puppet regime. Again, I say, I cannot believe that Wang, no matter what his mood may be, possesses sufficient courage to accept any Japanese proposal that will involve the collapse of China's solidarity even if he has the will to do so. I am reluctant to believe that

0 1 5 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

- 16 -

he would be content to be a party to anything likely to affect China adversely no matter how much he might feel the urge to try to climb over the Generalissimo into a dominant political position.

Daventry broadcasted on the night of December 30 that Wang Ching-wei was reported by Hongkong to have sent a message to the Generalissimo urging the prompt exchange of peace terms with Japan. Wang is said to have claimed that three points had been put forward by Konoye, namely, peace to be conditional upon the withdrawal of Japanese troops from China; economic co-operation in North China with Japan, and the signing by China of the Anti-Comintern pact not to affect relations between China and the Soviet. I heard the broadcast (midnight from London) which came through here at 7.40 on the morning of December 31, and at once sent a note upstairs to Madame Chiang to ask the Generalissimo if he had received such a telegram. Promptly Madame Chiang wrote back: "Generalissimo has received no such telegram from Wang. You can have Reuter or some other source deny this." So that's that.

The origin of the broadcast news item we discovered later in the day. It came in a Reuter wire from Hongkong. It appears that on December 30, at Hongkong, the "followers of Mr. Wang Ching-wei" released "a lengthy and involved message addressed to Generalissimo Chiang Kai-shek and the members of the Central Executive Committee of the Kuomintang" advising them "promptly to exchange peace views with Japan upon the basis of the three points which Prince Konoye set out in his December 22 declaration - (1) resumption of diplomatic relations between China and 'Manchukuo,' (2) the conclusion of a Sino-Japanese Anti-Comintern pact, and (3) effective Sino-Japanese co-operation in the economic sphere on the basis of equal rights."

In his analysis of Prince Konoye's statement, Mr. Wang overlooks Konoye's renewed assertion "that the Japanese Government has not altered its determination to continue military operations in China until the anti-Japanese Kuomintang government is completely exterminated," and a specific statement that "Japan, however, desires to bring about a new order in East Asia through co-operation with those far-sighted Chinese who are pursuing the same aims as the Japanese." To wit, the puppets.

Wang seems ready to swallow the recognition of "Manchukuo" and interprets Konoye's remarks as a readiness on the part of Japan to deal with the very government that he avows the Japanese will continue to crush - namely, the Kuomintang and Generalissimo Chiang Kai-shek.

By some strange process of reasoning Wang comes to the conclusion that Konoye is saying one thing and meaning another, for while Konoye specifically stated that "for the entire duration of the pact Japanese troops were to remain at certain points in China, and that Inner Mongolia should be regarded as a special anti-Communist zone," Wang, in his statement assumes that the Japanese would consent to "the withdrawal from China of the Japanese army in totality," restricting the stationing of Japanese troops to special areas in the vicinity of Inner Mongolia."

- 17 -

Wang also believes, or pretends to believe, that the Japanese would, "in exchange for freedom for the Japanese to live and pursue their business in China, surrender concessions and consent to the abolition of extraterritoriality." Konoye did not say anything of the kind as part of his declaration, so far as we here have seen. The reference to the "abolition of foreign concessions" was made by the puppet regime of Nanking, as I have mentioned above.

Wang further makes out that he is naive enough to believe that if China signed an Anti-Comintern pact with Japan the latter would not, in any way, interfere with Chinese military or political affairs. Nor, Wang says, would the signing of such a pact "affect our relations with Soviet Russia." And, he adds, "since the Chinese Communist party has already pledge itself to support the Three People's Principles, it should abandon its party organization and propaganda work, abolish its frontier government and special military system, and be absolutely subject to the legal institutions of the Republic of China." He should have added: and quietly subject itself to the domination of Japan, or be driven into Inner Mongolia by Japanese troops.

Wang thinks that Konoye's third point could be accepted in principle.

Wang does not say one word about the inhumanities of the Japanese and their desolation of vast areas of China, but is apparently willing to forget the fiendish slaughter, the rape, the rapine, and the ruin, inflicted by the Japanese, and embrace them on the basis that "we should co-operate with all interested in the common cause of promoting international friendship and mutual interests."

So, Wang goes on record as a believer that Japan is interested in the "common cause of promoting international friendship and mutual interests," after she has been asserting herself for the past 18 months to destroy his people and his country, and strives to oust Democratic interests from Asia.

Italy and Germany

Wang Ching-wei's interpretation of Konoye's declaration is markedly at variance with that of the Generalissimo, as outlined above. But Wang is a politician, and he is being used by politicians - the Italians and the Germans, who have been trying to get Japan out of China for a long time now.

Both Germany and Italy sorely need Japan's army and navy for the consummation of their expansion plans in Europe, which are sure to crash into Russian interests before they go far. ✓

Japan alone could not extricate herself from China, so the Italians and the Germans are trying to use Wang Ching-wei as the instrument to pry her loose with the maintenance of some "face" and gains. They tried before for peace, but the Generalissimo would have none of it while Japanese troops were ravaging the land.

- 18 -

The Italians in particular have been exercising their influence for some time upon Wang Ching-wei. One of their High Priests in Hongkong declared some time ago that there would be peace by Christmas, or a damaging split in the Chinese Government scheme of things, and gave out recently that Wang would be in Hongkong very soon. I mentioned above that as a result of the Italian Embassy's efforts Wang became involved in the peace intrigues and wrote a statement of his ideas of terms to the Italian Ambassador. They are using Wang against the Generalissimo, that is certain. Of course, Japan may step down from the platform embodied in Konoye's declaration regarding the "new order in East Asia," but if the "new order" is established it will hit the democracies and favor the dictators.

I wonder if the democracies will understand what is happening now and hasten ostentatious assistance to China to enable her to keep on fighting, at the same time placing embargoes of some kind upon Japan !

So much for the peace talk and the question of whether or not China intends to continue with her resistance.

A Narrow Escape

I will write a few words about the past few months. When fever overtook me in July and it looked as if the Hankow summer was going to put me in a hospital, as the fever did for six months a couple of years ago, I left by airplane for the higher and cooler altitude of Yunnan. I was too ill to do any writing, and I separated myself effectively from any mail. Two months elapsed without any improvement, and doctors sent me down to sea level. I went to Indo-China to revisit scenes with which I became familiar in 1905 (Russo-Japanese war) when I was at Camranh Bay with Rozdesvensky's fleet, later destroyed by the Japanese fleet at the battle of Tsushima. Incidentally, Camranh Bay is now being converted into France's Far Eastern Naval Base, in emulation of Singapore. There the main cause of my trouble was discovered, was treated, and quickly I began to recover.

Just about that time the Japanese made their first and only bombing raid upon Kunming, the capital of Yunnan. I got back there as quickly as I could. What for, I do not know.

That was about the most distant raid that the Japanese had so far attempted. It was not successful for them since they lost at least three big bombers in the vicinity of Kunming, and it was stated that at least one other had crashed on the mountains some distance away. That is what the leader of a mule caravan reported sometime later on his arrival at Kunming.

Whether or not the newspapers abroad now refrain from publishing accounts of the bombing of undefended towns, I do not know, but I seem to have an idea that not much is now said about these inhuman attacks upon non-combatant life and property. Raiding by the Japanese has never been modified, and, since they

0161

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

- 19 -

have been able to use the airfields at Nanking and Wuhu, it has been going on more intensely than ever. But the bombers now range in regions far removed from observant foreigners, and where correspondents are not. I was able, later on, to have more than enough first-hand sight of the extent of the damage done to undefended towns by these Japanese bombers.

I flew from Hanoi on October 20 to Kunming, and from there for Hankow on October 22, planning to arrive about sunset, when Japanese raiders have generally gone back to their base. On this day, however, they must have been waiting for my plane to arrive, because when we were over Changteh we received a radio that several Japanese pursuits were in the air above Hankow. They were still there near sunset while we were delaying progress by cruising in wide circles southwest of the Wuhan cities. When sunset came we decided to go up-river and spend the night there. Before daylight on October 23 I was on the field to take off, but we did not leave till the break of dawn. That brought us to Hankow about 6.45 a.m., where the field appeared to be covered with blue fog. It rather intrigued me, since I had never before seen "blue fog", especially a type clinging so tenaciously to the ground. I casually observed that there were no people, no airplanes, and no motor cars on or near the field. We went down, and were feeling conspicuously lonely in the morning calm, when one of the field staff was seen to be coming toward us as fast as he could make a bicycle travel. He was frantically signalling something with his arms. Before he arrived, however, we smelt the "fog" and detected it to be smoke from exploded bombs. The bicycle rider was yelling at us to clear out as a raid was still on. By this time I could see smoke coming from freshly made bomb holes. I got my baggage out of the plane, and the machine took off at once for Chungking. A short while after I had left the field Japanese bombers reappeared and dropped further explosives on the place, doing no material damage.

I was later informed that seven Japanese planes had gone up-river after the first raid. To this day I cannot understand how they missed me, unless the mists hanging over the Yangtze shielded me. Had the Japanese encountered me that would surely have been the end, for they have a habit of shooting down any plane, armed or not, and for me to have been even forced down would have meant disaster since the whole country between Hankow and Ichang was under water with the usual floods.

Hankow and Canton

When I got into Hankow I found it completely changed. The evacuation of thousands of people, the crowding of thousands more into the ex foreign concessions, and the daily raids by Japanese bombers, made the erstwhile clean Bund look like a back alley of a poverty-stricken town. Refugees were camped there, men, women and children, their belongings scattered higgledy-piggledy everywhere. The Japanese forces were within gun-sound. Admiral Holt showed me, from his balcony, where Japanese planes were bombing Tiger Hill, down-river. He estimated that the Japanese troops could get into Hankow next day

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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

- 20 -

since the Generalissimo had decided not to risk the destruction of the city by defending it.

The capitulation of Canton, which took place unexpectedly some days before, completely changed things. It compelled the Generalissimo to revise his plans, and he decided to close the book so far as Hankow was concerned and withdraw the troops to new lines. This saved Hankow from destruction by Japanese artillery and bombers, but it was a sad dislocation of the Chinese strategy. Had Canton held out the story today would certainly have been different, and, perhaps, we would still be in Hankow.

The tragedy of Canton was enacted before I got back to Hankow. Apparently General Yu Han-mou did not have the energy to fight, or did not want to fight. There were those who declared that he had bolted, or had been bought. He had not bolted, and, to speed matters up, the Generalissimo took the blame for the collapse upon his own shoulders. But, later on, when we were in Kwangtung, he relieved Yu Han-mou of his position, but not of his responsibility, and, also, removed Wu Te-chen from the governorship. Pai Chung-hsi was put in command, with Chang Fa-kwei, the Commander of the old "Ironsides", as in charge on the field. Yu Han-mou has a small command under Chang Fa-kwei. He has to try and redeem himself.

Canton's collapse meant withdrawal from Hankow, and, late on the night of October 24, we flew out, "we" being the Generalissimo and Madame Chiang and myself. At two o'clock the next morning we landed in Hunan province, and then began a tour of all the fronts which lasted until December 8, when we got to Chungking.

Air Raids Cause Widespread Havoc

In Hupeh, Hunan, Kiangsi, Kwangtung, and Kwangsi provinces we were constantly encountering bombing raids. We saw human agony everywhere, and wherever we went we were confronted with a poignant panorama of gaunt monuments to Mars in the form of towns and villages which had been completely blown up or burned by the raiders. Most of these towns had nothing to do with the war, contained no military objectives, and had nothing at all with which to defend themselves. But the quarry of the Japanese is people, whether the world wants to believe that or not, and throughout this vast region there are millions of people.

The Japanese report their various bombing expeditions, always adding that they have wiped out "military establishments". Recently they announced that they had dropped "tons of bombs on military establishments, destroying the towns so badly that they will not be able to recover". The broadcaster's own words. Similarly they talk with regard to the constant bombing of the habitations of the Chinese farmers and merchants in regions far removed from the fighting lines, but there are no "military establishments" to bomb in them. So the bombs drop on the busiest sections of the towns, and what ruination the

116

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

- 21 -

explosions of the bombs begin the supervening fires complete.

At Kweilin, when we were there early in December, the main streets were already marked with skeletons of shops and houses, but still another batch of raiders came, and dropped bombs which destroyed some 300 shops and houses in one of the few remaining whole sections of the commercial part of the city. There was a veritable holocaust. The mounting flames seemed voracious enough to destroy completely the remaining parts of the city. They were fortunately stopped, but since then the Japanese have been back twice, and, according to their accounts, did further great damage to the "military establishments," which is the terminology understood in Japan, and realized in China, to indicate the homes of the population. What is left of Kweilin now I do not know. Not much, if I can judge by what I last saw of that provincial capital and the ruins of other cities we passed through that the Japanese had previously done to desolation.

Kweilin was bombed some days after we left, and again on December 29. This raid seemed to be designed by the Japanese to put the quietus to Kweilin's life. Over 100 incendiary bombs constituted Japan's New Year gift which was reported to have been dropped upon the city's busiest remaining streets. The bombs started terrific conflagrations which razed to the ground 1,800 houses, and rendered homeless over 10,000 people.

That was the fifth raid upon Kweilin. In all, 2,500 houses have been so far destroyed. The bulk of the population must now be homeless. But Kweilin is fortunate in that it is built on the banks of a river threading through a unique limestone mountain formation. Grotesque individual hills of all manner of shapes which rise abruptly from the earth exist inside and outside of the city walls. They all have caves - small ones and large ones. I went with the Generalissimo and Madame Chiang through one which could hold up to 2,000 people. The authorities had stagings built at various places along the walls of the city to enable the populace to get to the caves when an air raid alarm sounded. As many of the people who could do so took advantage of these quick exits. Many of the caves have been provided with doors and windows, and families now permanently live there - a spelean society. Those caves will prove a Godsend to the homeless people now. But what of the thousands of cities that have been destroyed whose populations have no naturally provided troglodytical facilities? I answer that question later.

In Kwangtung province there were many such ruined towns and cities and villages, and there will be many more of them because the world does not seem to care to exert itself to stop the massacres and the ruin. Widespread destruction and death and poignant human suffering are being precipitated from the skies upon every place that looks prosperous or capable of holding many people. This is all in accordance, of course, with the declaration of the intentions of the Japanese to "beat China to her knees and break her spirit of resistance."

Refugees on Trek

What becomes of the people of all the bombed areas ? Thousands of them

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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

- 22 -

are blown to fragments, of course, and those who die, to tell the truth, are fortunate in the sudden death that overtakes them, for there are continual thousands being maimed and who live with their terrible wounds, while millions more are made destitute and have to move from the ruins of their homes, their shops, their little factories, or their big ones, and from their homesteads. They take what they can on their backs, or on barrows, or any wheeled vehicles that they can use, their surviving babies being carried in baskets or piled on top of salvaged household chattels. People in flight fill the highways, and they crown the mountain trails, climbing like ants westward and further westward, hoping to achieve immunity from raiders and find safety from the tortures of war.

In these western mountains, and they are real mountains, there is some relief at this time of the year owing to the low cloud formations which constantly blanket the earth. So thick is the cloud layer that not even a 16,000 foot peak sticks through. Many times we have climbed through and travelled for hours over 18,000 feet of cloud, and that is too thick for bombers. There is an old saying in Szechwan that if the sun shines during the months of winter the dogs bark at it in fright. The Szechwanese, and there are some 80,000,000 of them, pray to their gods that the dogs will have no temptation to bark while this war is on.

The Japanese have lost many planes in these wild cloud-covered mountains. So have the Chinese. Madame Chiang Kai-shek has just suffered a serious loss herself. The big Boeing plane which was presented to her, which was shipped from America to Australia, which the Australian Government refused permission to erect there, owing to some strange fear of Japan, and which was shipped to Hongkong after months of delay on Cockatoo Island, or some such place, in Sydney Harbor, has just crashed and been destroyed. Its pilot (an American named Johnston), a Russian mechanic named Tarantin - who was refused a visa by the Australian Government when it was desired to send him to Sydney to assist in erecting the plane - a Chinese wireless operator, and a Chinese mechanic were all killed. That plane was being flown to Yunnan. The last radio said that darkness was coming on, the cloud mass was impenetrable, the radio was not working, and the pilot was going to fly blind to try to edge down to earth. No news of the plane came for days. Then on December 30 the charred remains were found in the southern part of Yunnan province. The plane had crashed on a hillside and had burned. A tragic business, but all of us who fly in this region risk our lives every time we go up.

Into these cloudy western provinces of Kweichow, Szechwan, Yunnan, and Kansu, refugees are flocking by the thousands. Other elect to stay in the mountainous places of Shensi, Kiangsi, Hunan, Hupeh, Kwangsi, and Kwangtung provinces. Those who come to Kwangsi, Kweichow, Szechwan, and Yunnan, are, as a result of their migration, filling up empty spaces, and are constituting the foundation of what will certainly be a new China.

Highways and Railways

Hitherto all these provinces have been remote, inaccessible, except for

0164

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

- 23 -

difficult trails over high ranges - which make all the region an ocean of mountains - or by way of the Yangtze river. The latter directly serves Szechwan river ports, but until recently, travellers wishing to go further rode in chairs or walked, and all cargo that could not be transferred to junks traversing smaller streams, was transported, sometime thousands of miles, on the backs of coolies, or mules, or diminutive ponies. I have seen strings of these little animals faithfully following their gaudily bedecked leaders, carrying salt from Szechwan, hundreds of miles from where they took on their loads. Coolies carry cargo right to Lhasa over the giant ranges whose crests are permanently hidden from sight by perpetual snow.

Now these western provinces are all connected by motor highways, and, as I have mentioned before, there is a new way out and in through Burma. In times of peace one can drive a car not only into all of the provinces of China, but through Indo-China, Siam, and Malaya to Singapore; to Rangoon, and through Kansu province and Sinkiang to any city in Europe and the British Isles, provided, of course, there are no political obstructions in the territory of the Soviet.

Railways, too, are gradually extending westward. Kweilin is now connected by an operating railway with the main line from Canton to Hankow, at Hengyang. This new line is laid with rails which were pulled up from the bed of the railway connecting Kiukiang, on the Yangtze, with Nanchang, to prevent them falling into the hands of the Japanese. From Hengyang another railway has been started toward Kweiyang in Kweichow province. The concrete piers for a bridge have already been erected in the river at Hengyang. Another railway is being built from the border of Indo-China at Langson to Nanning, in Kwangsi province. Whether it will materialize depends upon the ability of the Japanese to penetrate the region from the seaboard at Pakhoi. They want to cut these connections, and no doubt their probable landing at Pakhoi is designed to stop work on the line and cut the road, as well as to block the French line in Yunnan. The bed of the Langson-Nanning line is already laid, I am told. If a railway can, by some means, be pushed in from Burma (as it should be if the British shopkeeper has the stuff in him that made him famous) the whole of the western provinces will be opened up.

The highways are, however, going to be a tremendously important factor in opening up the natural resources of the provinces, especially the new road from Burma to Kunming (Yunnan) and the new link from the latter place to the Yangtze at Luchow. This will cut out the heavy grades on the existing route from Chingking to Kweiyang. With these means of transport available the measures that are under way to settle the refugees and employ them on the development of the natural resources will ensure a success that but a few years ago could neither have been expected nor achieved.

Untapped Resources

There are magnificent mineral and agricultural resources to be developed.

- 24 -

Yunnan has, as is well known, one of the world's largest tin deposits. It is rich in copper, iron and coal. In Szechwan, gold is in great abundance. The upper Yangtze has been known for centuries as the "River of Golden Sand." The great beds of detritus, brought down by the summer floods, are worked for gold as far down as the west of the Wind Box Gorge. Out in the great mountains forming part of the Himalayas which leap up from the foothills all along the western boundaries of Yunnan, Szechwan and Kansu, there are gold deposits which some day are destined to astonish the world. The lodes have never been touched. The placer deposits are always being worked with primitive appliances by the Chinese, and gold dust is a commodity sold and bought in the mountain townships. In the Muli Kingdom (altitude between 11,000 and 15,000 feet) west of Ningyuanfu, in south western Szechwan, gold is so plentiful that it can be washed in any stream. The Muli King pays all his "tips" in packets of gold dust. It is estimated that in the upper Yangtze there are 800 miles of placer deposits to be dredged, and elsewhere inestimable deposits. But there are many other minerals virgin in their remoteness. The western part of Kansu is also rich in gold, as is Sinkiang (Chinese Turkestan).

Yunnan is said to be able to grow mulberry leaves better than any of the well-known silk producing provinces near the coast, or in the world, for that matter, the experts say. The cocoons are said to be twice the size of the down-river variety. Szechwan is already a great silk producer. These prospects are being studied now, and already the Women's Organization, under Madame Chiang Kai-shek, has teachers out in the districts showing how silk production can be improved, and instructing the villagers to make the improvements.

The tung tree, from the nuts of which the famous wood-oil is crushed, flourishes abundantly everywhere out in the west. That region is the original home of the tree. Plantations are being improved and extended, and, with time, will be installed improved equipment for extracting the oil and enhancing its value.

Szechwan is famous for its lush agricultural production. It harvests four crops every year. Drought is almost unknown. Between Szechwan and Yunnan, in the west, are the vast potentialities of Sikong.

Sikong is a new province which is, in all respects, reminiscent of Canada. Its first provincial government was inaugurated only today (January 1, 1939) after three years of preparation. It has the highest capital city of any province in China - Kanting, formerly known as Tatsienlu, with an elevation of 12,400 feet. General Liu Wen-hao is the Governor. The province has an area of 182,510 square miles. It embraces the old Marches of Tibet, and was recently known as Chwanpien. It is bordered by Szechwan on the east, by Tibet on the west, by British Burma on the south, and by Kansu and Chinghai (Kokonor) on the north.

Sikong is generally high, and is particularly difficult in the west and north where are great barriers of perpetually snow-clad mountains. It is, however, possessed of immense rolling grass lands similar to the great wheat

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

- 25 -

and grazing regions of Canada. Cattle and wheat raising are destined, in time, to be developed on a large scale, but any great riches will come from its deposits of gold and various other minerals, which are said to be present in abundance. Timber is also plentiful. A railway from Burma through Yunnan running into or near to this region will make it, as a Chinese publication puts it, "a self-sustained reservoir of food and man-power for continued armed resistance." But such a railway will have to penetrate mountains like the Rockies. Now the direct approach is by motor road from Kiating or Chengtu (in Szechwan) through Yachow, to the foothills near Kanting. Over a year ago work was started on a motor road through the mountains to Kanting. Trade has, however, been going on for centuries, goods being carried on the backs of men and yaks. As for rivers, the province is highly honored, for it is the source of three great streams, which tear through its gorges and run a couple of thousand miles or more to the sea - the Yangtze (which cuts China in half), the Salween, and the Mekong, which both carve their way south-eastwards to the sea through Yunnan and Indo-China.

There is scope for almost startling production of all manner of requisites in all these western provinces of China. Indeed, economic sufficiency can be achieved provided that capital can be secured. As it is, work is already being begun to meet war needs and emergencies with the simple means available to the refugees who are streaming into the region, and to the inhabitants who have, till the past year or two, been almost isolated and content to work the soil for sustenance.

The refugees, who are finding their way into this great reservoir of human effort and future national greatness, have among them many artisans and craftsmen. Some have brought tools with them, and those who could not will benefit by the Government's great efforts to transport machinery and workshop equipment from the areas in the east threatened to be overwhelmed with destruction. How this has been done is a story both dramatic and romantic. It is a common sight to see on the highways streams of vehicles, from donkey carts to trucks, piled with machinery, steadily and laboriously trekking westward through the mountains, with thousands of men, women and children, mostly heavily laden, patiently trudging after them.

The pictures of the pioneer days of the old west of the United States are being re-acted here every day, though the covered wagons are now mostly trucks, of limping rickety mule and donkey carts, hand-trucks and barrows, or the none too sturdy backs of men and women themselves. Up the waters of the Yangtze river, steamers, and every type of junk, carried full cargoes of machinery from far down-river. From Hankow was taken the bulk of machinery that was portable, and Madame Chiang Kai-shek saw to it that 30,000 women and girl mill workers alone, to say nothing of thousands upon thousands of others, were transported to the west to save them from the fury, the bestiality, and the brutality of Japanese troops.

Stupendous Migration

Fear of assault and murder by Japanese frightened most of the non-combatants

0161

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

- 26 -

out of all the invaded areas. This stupendous migration of millions is the most startling and significant commentary upon the declarations with which the Japanese flood the world that they are warring and laying waste in China in order to save the common man - the Chinese people. But the lust and blood with which the Japanese stained Nanking and other cities of the littoral provinces was observed and noted by foreign witnesses who proclaimed the horror to the world. Everywhere else that the Japanese make their way similar vicious crime is committed, but most of it is not reported to the world because there are no foreign witnesses of it to make the exposures.

The remarkable and outstanding feature of this great migration is the fortitude of the sufferers in their adversity. They live or they die, as the case may be, but they do not complain. The philosophy which they exhibit in the midst of crushing calamity approaches the sublime. We have seen, during the whole of the past 18 months, human suffering that is incredible. No one living in lands smiling with peace can possibly imagine the torture that is being borne by the helpless masses of China. In peaceful countries it is calamity to have one solitary house burn down and incinerate its occupants, but here in China in thousands of cities whole streets and blocks of houses and shops, densely inhabited, are, in one instant, suddenly blown to the sky in dust and flame by crashing, ear-splitting bombs. And, most of the time, many of the families are blown to eternity with all they own, while hundreds of corpses are strewn in the vicinity. Those who survive the terrific tumult, the showering debris and broken flesh, and the fires that supervene, see in place of their homes great piles of shattered brick, plaster, tiles, and, if fire did not devour everything, splintered timber, shattered furniture, and desolated personal possessions. Worse than that is the sight of dead and wounded relatives, mutilated or burned to cinders, and the sound of the groans of others pinned beneath the wreckage.

Yet, it is amazing to see that after the first shuddering shock is over the survivors are agitated into activity to rescue the injured, recover what they can of their possessions, and, if it is possible, erect shacks on the ruins, or start business on the pavement, if any pavement or anything with which to do business, is left.

It is this inherent faculty for enduring desperate suffering, this power of recuperation, that makes it impossible for Japan to subjugate or conquer China. Natural calamities, which have had a habit through the centuries of wiping out thousands, and hundreds of thousands, sometimes millions, of people in one fell swoop, have bred in the blood and the bone of the Chinese race those powers of survival that enable them quickly to subdue and overcome the effects of appalling catastrophies. These are the qualities which will enable them to triumph over the enormous and disastrous losses which the Japanese have deliberately inflicted upon them, and which will fortify survivors in their efforts to rebuild their nation upon a better and more enduring foundation.

New Life in the Far West

The beginnings of the rebuilding of China are proceeding as rapidly as is

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

- 27 -

possible in the west, while the war is still being waged in the north, south, east, and center of the country. Even in those regions where the wrath of war has left indelible marks, and the enemy menaces survivors with terror, reconstructional efforts are being made.

But in the west, around Kunming, in Yunnan, and Chungking and other places in Szechwan, new life is appearing. There is an amazing growth of factories and other buildings which are for educational purposes. The march, or crawl, westwards of the machines has been accompanied by the intellectuals. Universities and cultural institutions are now appearing in places in the west where little of the kind existed a year ago.

Students, 400 of them, of the Nankai University of Tientsin (the first university to be deliberately destroyed by the Japanese) found their way to Changsha and walked all the way from there to Kunming - a forty-day tramp through endless mountains. Students of a military school also walked there all the way from Nanking, while boy and girl students in crowds, from other schools and colleges in other parts, have all walked westward. Hundreds went northwestward to Yennan, in Shensi province, where they live in caves. But they are all going through fires that will burn out of them, it is hoped, the old-time foolishness, and temper them for sterner duties in the upbuilding of their country, in forging in the west a new order to sustain their ancient nation and enhance its prestige and its power.

Japan has been responsible for a new outlook in China - and that outlook is westward. Other modern empires have been built up by movements in the same direction. "Westward the course of empire takes its way," was written of one empire. In her own west China is destined to find the means for her rejuvenation, and time will tell the story.

Women's War Work

The resurgence of China is being fostered not only by the organizations controlled by men, but is becoming more and more a particular care of the women, who are being mobilized by Madame Chiang Kai-shek, under the aegis of the New Life Movement, for service both in the "occupied" areas and behind the lines. Early in the war Madame Chiang Kai-shek realized that the terror of the Japanese, and ignorance of the measures which should be taken in the circumstances, might so demoralize those left in the regions from which the Chinese forces from time to time withdrew that it was vital to have stimulating encouragement and instruction given to them.

The business of women helping in the winning of the war was taken up in earnest soon after the beginning of the invasion by the Japanese. Leading women were called together by Madame Chiang at Nanking, and, later on, in other cities. She outlined practical programs of action for them to take up. This involved teaching girls and women how to work and contribute support to the defence of the country both in the rear and in the regions that fell under the influence of the enemy. Classes were inaugurated, girls and women were trained

- 28 -

as instructors, and they, in time, set out, full of high spirit, to fulfill their tasks.

That spirit of resolute endeavour in the face of ever-present danger is best illustrated by the last words of one of three girls who were killed in a bombing raid in which they became involved in Hunan the day after they were sent on their way to work among the villages along a section of the Canton-Hankow railway. One girl who had been shockingly mutilated by a bomb that crashed through the roof, exploded, and killed outright two of her comrades and wounded three others, regained consciousness only to say with her last breath: "I have been trained to work, I have come to work, but before I could even start I have to die."

The survivors, instead of being paralysed with fright at the death and ruin about them, rescued their wounded comrades from the wreckage, found coffins for their dead ones, and took from themselves clothing to enshroud them. They then set to work to help others attend to the hundreds of people who had been wounded by the bombs, and collect from the debris the 200 who had been killed. Next night, when Madame Chiang visited the survivors, they were busy teaching and helping villagers to make bandages and warm clothing, working late into the night by the feeble light of vegetable oil lamps. Always all these women who are working before and behind the Chinese lines are running the risk of sudden death - or worse, if they are near or in the territory occupied by the Japanese.

The mobilization of women has been done under several headings for different types of endeavour, the most important being War Area Service, Rescue of Refugee Orphan Children, Promotion of Village Industries, and War Relief Work. Those trained for War Area Service are high school and college girls, who, in groups of ten and fifteen, work in the villages far behind the lines teaching the peasant women what to do if they become involved in the war, how to render first-aid, how to change the dressings of wounded soldiers falling back from the lines, and how to help them on their way. Also they are taught the necessity of providing constant supplies of hot tea and rice for soldiers going forward, and how to do the numerous things that have to be done to contribute to the easy progress of the army through the country.

The rescue of war orphans from near the front is one of the most important tasks. This is done by the War Refugee Association, of which Madame Chiang Kai-shek is the director as well as an indefatigable worker. So far, over 14,000 children have been rescued from the war zones and transported back to the western provinces. Here they are put in Refugee Homes for Children, provided with proper supervision, and given vocational education and training to fit them to be useful citizens capable of assisting in national rehabilitation. Orphan ages in many parts of other provinces also house and train children collected from various war areas. Funds for this purpose come not only from the people of China but from every democratic country in the world. How necessary that help is might be gauged by the increasing intensity and widening of the areas of Japanese bombing raids. Each raid produces additional numbers of orphans and destitute.

- 29 -

Village Industries Promoted

The promotion of village industries is designed to increase production so as to assist in war-time economy. The shutting off of foreign imports and the destruction of factories by the Japanese has caused a dearth of supplies which can be partly filled, for the time being, by the people themselves. But they have to be taught. With the aid of improved hand and foot operated machinery the women trained by the New Life Headquarters are now instructing country women and girls how, among other things, to weave cotton textiles and spin wool yarn. From the commonly grown ramie fibre (China grass) they are not only making cloth, but are producing absorbent cotton that is proving highly satisfactory for use in army hospitals.

With the old hand machine a woman could spin only eight ounces of yarn in a day, but with the new one developed and provided by the New Life Movement, a woman can produce 15 pounds in a day. More and more cotton is being grown, and new areas are under experimental cultivation. Large supplies of cotton come into Szechwan from Paochi in Shensi. Ramie fibre is produced in abundance throughout these provinces. Wool comes down from the north, and from Sikong.

The activities of these women seem likely to develop important changes in the China silk trade. They are transplanting the silk industry from the coastal provinces to Szechwan and Yunnan where they will soon be in a position to supply some of the demand for silk. As the women have secured the services of one of their sex who has specialized for years in silk production - one who spent several years in the silk industry in Japan, and has experience of production elsewhere - there is every reason to believe that there will be considerable improvement in China silk in course of time. Filatures with modern equipment are sure to be set up in these regions in the near future.

All these industrial activities in the villages have a double purpose: (1) the organization of the village workers into co-operatives to improve their earnings and their livelihood; and (2) the meeting of the demand for supplies at home and export abroad. The outlet overseas will be by the new road to Burma if freight costs are attractive.

It is understood, and it is borne in mind, that handicraft products can never compete with those that are machine-made, but for the duration of the war the women of China are organizing themselves to meet the requirements of the hour. When the time comes for peace and further industrial development they will be all the more ready to play an intelligent part in the modernization of the country, and in paying attention to the welfare and the economic standards of the workers.

One of Madame Chiang Kai-shek's chief aims in organizing the women is to establish a condition guaranteeing to the working women better living conditions and better pay and treatment. The war has given her a chance that she could not miss to begin the institution of necessary reforms. One of her triumphs was to make the directors of a large cotton mill at Wuchang, opposite to Hankow,

017

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

- 30 -

not only submit to having the machinery removed from their big mill but also pay \$350,000 for the removal and care of the thousands of workers. For a year other Government organizations had failed to move this mill or the directors. The latter were making too much profit to be ready to close down and seemed willing to let the Japanese take the mill as a going concern when they should enter. Madame Chiang shamed them by visiting the mill at 5 a.m. in the morning, as the night shift was coming off duty, and exposing the conditions under which the women worked.

Creation of Industrial Co-operatives

The discovery, soon after the war began, that the Japanese were conducting systematized and extensive marauding - shipping all valuables to Japan (especially machinery and scrap-iron) and destroying everything that might be used by Chinese survivors at the end of the war to sustain their livelihood - caused the wholesale dismantling and removal, or burial, of small industrial plants. Yes, unhappy owners, in certain places, in their dilemma, having no means of transport, and not knowing what to do or where to go, buried their machinery, and did it without coffins or shrouds of any kind, earth being the winding-sheet. What was transported away will, in time, be re-erected in western or central provinces.

A significant development for war-time purposes which is making marked progress and which is certain to have incalculable influence upon the future industrialization of China, is the establishment of Chinese Industrial Co-operatives. The idea was born in Shanghai out of the confusion that marked the deliberate break-up by the Japanese of the numerous factories and workshops which had their being in that metropolis, and the consequent dissipation of the great army of artisans who formed the skilled workers in these destroyed industries. A group of foreigners and Chinese developed the idea. Connected with this group was Mr. Rewi Alley, a New Zealander, who was employed by the Shanghai Council as its Inspector of Factories. He knew all of the factory owners, and was intimately connected with the leading artisans and had ideas of how to collect and use them. Mr. Alley and the scheme were taken under the wing of the Government, but I will let him tell the story of the scheme, for he happened to arrive in Chungking yesterday, dropped in on me just as I had reached this part of this lengthy letter, and I forthwith compelled him to sit down and write a summary of the scheme and the first steps of its application.

What Mr Alley adds will make this letter longer, but I must first tell you how he came to be associated with the active implementation of the scheme by the Chinese Government. A copy of the proposition the group in Shanghai prepared was sent to the British Ambassador, Sir Archibald Clark Kerr, who, in turn, forwarded it to Madame Chiang Kai-shek. When Madame Chiang read it she saw that it followed a line of development once conceived for the Peoples Economic Reconstruction Movement, which was launched in 1936 in Kweichow, by the Generalissimo, but which later got held up for a variety of reasons.

Madame Chiang literally jumped at the scheme, placed it personally before

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

- 31 -

Dr. H. H. Kung, President of the Executive Yuan and Minister of Finance, and strongly urged its adoption. When Dr. Kung read the scheme he also favored it. He has long been actively interested in the building up of small industries, and consequently needed no urging to sponsor the idea. The services of Mr. Alley were promptly sought through the British Ambassador - who was telegraphed to - and Mr. Alley was in Hankow a day or so afterwards. The Shanghai Municipal Council released him - but begrudgingly. Here is the story as it is told by Mr. Alley himself :

The idea. During the early months of the year 1938 a group of Chinese and foreign residents in Shanghai met together. They had watched the terrible havoc wrought amongst China's industry, 70 per cent. of which was concentrated in their area. They met to discuss what could be done to reconstruct that which had been destroyed.

It was decided to form a Shanghai Promotion Committee for Industrial Co-operatives in China, it being realized that the only way industry could be made to operate all over the country would be in the form of small industrial co-operatives.

The Committee was headed by the gifted Shanghai banker, Hsu Shing-loh. Mr. Hsu was later to meet his death at the hands of the Japanese who shot down the airplane in which he was travelling.

First stages. A plan was drawn up and was submitted to the Central Government. It was accepted, and so in the month of August the Chinese Industrial Co-operatives - fathered by Dr. H. H. Kung, President of the Executive Yuan, and with the kindly encouragement and interest of Madame Chiang Kai-shek - came into being.

A headquarters was set up in Hankow, and Liu Kwang-pei came to act as General Secretary. Mr. Liu, an American returned student, came with experience as a banker, an administrator, an engineer, and a soldier. Rewi Alley, formerly Chief Factory Inspector in the Shanghai Municipal Council, was invited to assist.

Northwest headquarters. A headquarters was set up on the south Shensi-Kansu border to which Lu Kwang-mien, a returned student from Edinburgh, and formerly with the Hopei Co-operatives, went as organizer. Wu Chu-fei, of the Shanghai Power Company and of the Ford Motor Company's works in the United States, went as engineer.

Machines were sent from Hankow and the Lunghai railway line, and within the next three months some 80 small industries were set up in the area. One village was lit by co-operative electric light. A co-operative printing works published the first newspaper in another little hsien (county) city. Alcohol, weaving, spinning, knitting, tanning, mining, and transport co-operatives were soon set up. Unemployed workers found relief in constructive work after their enforced idleness. Wheels that had been silent were made to turn again. Empty

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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

- 32 -

shelves in village stores were stocked once more. New hope entered into the lives of many as they gathered together, sometimes only in caves, in the loess hillsides to reconstruct their old lives by work.

The fall of Hankow, and the consequent dislocation of communications, made for various difficulties in these headquarters, but due to the fine spirit that prevailed these were surmounted, and work continued even in the face of financial difficulty.

It was found that in the areas worked there was ample raw material available, wealth that had lain hidden in the past and only awaited the energy of man to exploit. Refugees from many provinces came. One group of a small Christian sect came in its entirety, and with energy proceeded to take advantage of the technical and organizational advice provided by the Chinese Industrial Co-operatives, and to use the capital lent with great advantage.

Arrangements have been made here to set up a school for training industrial co-operative workers in what they are expected to do. Other arrangements are being made to take over a testing laboratory for a fixed period to assist the co-operatives with the best scientific information available.

Depots were set up in the country as well as one in the city of Sian. Efforts are being made to make for improvement in production - newer methods, better organization.

New depots are being planned in Kansu and Shensi provinces from which it is hoped that a network of small industry will radiate in 1939.

Southwest headquarters. Shortly before the fall of Hankow, Lem Foh-yu came from the Shanghai Power Company to head the Technical Section of the Chinese Industrial Co-operatives. Mr. Lem had had long experience in the United States as a mechanical engineer, and is highly qualified in every way for this position. He also took over the responsibility for organizing these headquarters in west Hunan, and soon had gathered around him a band of co-operators and technicians who proceeded to make a survey of the industrial possibilities and to organize workers into production units for the manufacture of consumer goods needed locally.

The visitor to one little city would perhaps have been surprised to find that several of the small industries in the locality carried the red triangular "Co-operative Work" sign, and that workers he met on the street would be proudly wearing the same badge in miniature on their coats.

Outside a pen-maker's establishment he would find a little crowd looking with interest at a poster showing an intellectual wielding a great pen in his hands sweeping the Japanese off the map of China. Then at a leather goods maker's shop he would see more people staring at another poster depicting a Chinese soldier wearing a great leather boot, stamping out Japanese Imperialism.

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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

- 33 -

Shoe making for the army was found to be needed here. Dry-cell making, leather tanning, towel weaving, hosiery knitting, and printing co-operatives were all successful. Work on medical supplies for hospital use was commenced.

The events at Changsha greatly affected the initial work at these headquarters, but in spite of the temporary paralyzing of communications, work went on as usual. Some of the societies found difficulties in distribution, so society members simply went out into villages and sold their products themselves, finding that their ultimate profit was greater than they usually had been getting.

At the present time industries are being moved from threatened areas to safer ones, and plans are being made to place depots in provinces near by.

Experiments are being made in these headquarters to improve the multiple manual spinning machines, and when successful to manufacture these.

A new winder to wind from hanks to warper's bobbins has been introduced, and a 50 per cent. time saving has been effected. A warping machine has been introduced to take the place of the old frame, and about 60 per cent. time saving has thus been effected.

Other efforts are being made to speed up production so that rural industry will be able to stand solidly on its feet under any circumstances.

Plans for the immediate investment of some \$300,000 in small industry have been made here which should do much to alleviate the distress caused by war, and to maintain the morale of the people.

This headquarters hopes shortly to extend its work into the Kwangsi and Kweichow provinces.

Southeast headquarters. Following the establishment of the southwest headquarters a communication was received from the Shanghai-Hongkong committee offering \$200,000 capital for use in these headquarters. The offer was accepted and a representative was sent to Hongkong to arrange for this and to establish a headquarters in the southeast. This was done before the fall of Canton city, but work was delayed due to the original staff having contracted dengue fever, epidemic at the time in the chosen locality. After a number of other obstacles had been surmounted, work was started and representatives sent to excavate machines which had been buried in threatened areas, buy them, and transport them to safer quarters to be used in a first machine and founding co-operative with which it is hoped smaller machines can be constructed for use in other centers.

It was found that there was no shortage of raw materials. Technical workers and equipment in this area are difficult to obtain in the first instance. Plans have been made to remedy this deficiency. There are all kinds of mineral products available, and a good market for produced goods. A tannery

0 1 7 0

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

- 34 -

and leather goods co-operative was the first to be organized here. Others in the process of organization at the moment include a \$30,000 machine shop, spinning and weaving for refugees, a printing and a cigarette making co-operative for crippled soldiers, sugar refining, boat building, and a food preserves co-operative.

There are possibilities for small mining ventures, for there are many old mines in this area - copper, silver, lead, gold etc., which were once worked and which could again be opened and worked by simple processes which would provide sustenance for the workers and some raw material.

Then, too, there are excellent opportunities for small cement, glass, pottery, and chemical co-operatives here. Facilities for old-time river transportation in this area are especially good. There are good chances for paper and alcohol co-operatives. Promotion work, essential before organizing is done, is being ably assisted by the Rural Welfare Service, headed by Mr. Chang Fu-liang, well known for his work in the Kiangsi countryside.

These headquarters hope to be able to assist branches in Anhwei, Chekiang, Kiangsi, Fukien, and Kwangtung.

Already work has been financed behind the enemy lines, and it is hoped that such work will be extended so that communities in those areas will be made self-supporting and not be forced to buy enemy goods.

Central headquarters. General headquarters was moved from Hankow in October. It first went to Wanhhsien, but on the arrival of K.P. Liu in Chungking, was moved to that city. This headquarters will act as National Headquarters, and, at the same time, as headquarters for the Hupeh-Szechwan-Sikong-Yunnan districts. Preparations are now made to commence work, and a start can be expected in the New Year. Raw materials and demand are here in plenty. It is hoped that in these headquarters something may be done toward assisting in next winter's textile requirements - especially for the soldiers who give their all for us.

Then, too, some of the millions of refugees who have migrated to the west will find in co-operative industry new life - creative life - in a new way.

Finance. Funds used by the Chinese Industrial Co-operatives are in three kinds, capital funds, promotion funds, and special funds. Capital is lent out to groups which have been organized at 6 per cent. for short term, and 8 per cent. for long term, loans.

Promotion funds are those officially provided for the payment of staff, travel and general headquarter maintenance.

Special funds are those which have been donated and are used for removal of essential workers, machinery, etc., which cannot be considered a charge on the co-operative, as well as those expenses which come outside the budgeted

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

- 35 -

promotional funds. These funds are also sometimes used as straight non-interest bearing loans to workers, and also form a fund which can be borrowed from by the regional headquarters should official promotion funds, by some break-down in communications, not be available at the required time.

It is of interest to know that in many of the areas work, in the past, could not be started unless interest ranging from 18 to 30 per cent. was paid.

Phillipine Overseas Chinese have been very helpful in giving to this special fund, after they had had its use explained by a member of the Shanghai-Hongkong Promotional Committee.

The International Alliance of Trade Unions in Paris also gave a very useful sum which was of great assistance in the early stages.

Other private donors have also assisted, such amounts being used for special cases - an existing group has its machines shattered by a bomb, it must move elsewhere. Another needs some help in travel; there is some promotion printing to be done, and so on.

Organization. Efforts have been made to procure staff for organization work who are experienced in the co-operative field. Members of this section of the work of the Chinese Industrial Co-operatives have to deal with the workers in the field. They have to be men of sympathy and tact. They have to travel under very adverse circumstances in dangerous war-time conditions. They must know something of industry, and be able to learn as they go. They must become missionaries of the idea of self-help. There have already come to headquarters many stories of devotion and courage exercised by these organizers. The Chinese Industrial Co-operatives look forward to the time when the engineer and the co-operator together will bring to rural China something of the fuller and better life it deserves.

Procedure in organizing local co-operative societies. (1) Registration of unemployed craftsmen. (2) Selection of individuals based upon health, experience, and character. (3) Grouping according to crafts such as weavers, shoe-makers, etc. (4) Investigation of the business to be organized for a selected group as to raw material supply, market for finished goods, availability of equipment, production cost and profit. (5) Selection of organizing committee. (6) Formal organization exercise. (7) Registration of co-operative society in hsien government. (8) Signing of contract. (9) Money loaned to co-operative societies is deposited in bank and any withdrawal requires the signatures of the headquarters' co-operator and accountant. Sound business principles are always strictly followed in the organization of co-operatives, and money is carefully loaned out and safely guarded.

Supervision of co-operative societies. Co-operative societies are carefully supervised in order to develop self-imposed discipline and committee system of management within each society. They are taught how to conduct business meetings and how to keep books. They are also taught to sing

- 36 -

patriotic songs. They all feel now it is their duty to take part in this war of resistance.

The technical staff. An excellent example has been set by the Chief and Assistant Chief of the Technical Section, both of whom left good positions, their families, and all the comforts of Shanghai to come to the interior and face all the difficulties that present themselves in war-time in any constructive effort.

The crying need is for men who will sacrifice and who have the ability to do things that make that sacrifice worth-while. Action, not theory; practical engineering ability coupled with initiative and drive.

The Chinese Industrial Co-operatives have been fortunate indeed to have been able to induce many such to throw in their lot with this movement.

The future. The Chinese Industrial Co-operatives hope that by the end of 1939 it will have been able to construct and connect up a chain of small industry that will reach from Inner Mongolia to the Eastern Sea. It expects that in this year it will be able very materially to assist in the supply of essentials and of consumer goods; to translate slogans into action; to put many idle hands to work; to give employment to at least some who crave for it; to supply technical assistance for existing small enterprises that need it, and to organize them into units that can stand the stress of war; to organize refugee and crippled soldier labor when possible; to provide new sources for raw materials, and to assist simpler transport. The obstacles in front of a realization of this plan are tremendous. But with the support of earnest minds at home and abroad, the backing of a Government determined in its resistance, and with the devotion of its staff of engineers, co-operators, and technicians, the Chinese Industrial Co-operatives still have every chance of fulfilling the role it has assigned itself.

This is the end of Mr. Alley's present story, but it is only the beginning of the new movement.

Kweichow's Potentialities

In connection with the development of the western provinces, which I have emphasized without much reference to Kweichow province, Mr. Alley says that this province, poor as it is, is full of potentialities for industrial enterprises. There are all kinds of mines. A recent exhibition of native products in Kweiyang showed that good handicrafts were very popular among the people, including the aborigines. The kinds of paper produced in Tuyun and Longtai are just as fine as can be expected. But the scale is very small because of lack of capital. Cotton goods are the dearest there. A movement for growing cotton has been commenced by the provincial authorities and it is expected that this province will produce enough cotton for its own consumption in a year or two. Hand spinning and weaving will soon be in fashion there. Other plans for industrializing Kweichow have also been considered, but so far little has been done. It is again a question of capital. The Chinese Industrial

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

- 37 -

Co-operatives have been invited to go to help, and it is thought necessary to set up an office in Kweiyang, the capital of the province. Some wood oil is produced in Kweichow. It was learned in Kweiyang that wood-oil could be shipped out, via Kunming, at a profit. The price is about \$30.00 at Kweiyang, \$60.00 at Kunming (all Chinese National Currency), and H.K. \$48.00 at Hongkong.

Today (New Year's Day) the Ministry of Finance issued measures to foster the trade of the western provinces. Exporters of peanuts, sesame seeds, timber, bamboo, almonds, eggs and egg products, hair nets, cotton, tobacco, and straw hats were exempted from selling the resultant foreign exchange to the Government; and another order cancelled export duty on wood oil, bristles, hides, skins, tea, minerals, gallnuts, herbs, wool, silks, hemp and ramie fibre, intestines and feathers. All these are products of the provinces of the west, ..

Chinese Reactions to Democratic Inaction

So far, I have not emphasized the reactions of the Chinese to the attitude of the Democracies toward their difficult plight of the past 18 months. While Chinese leaders have been definitely disappointed at the failure of the League of Nations to implement its resolutions, and have been concerned at the failure of Great Britain, America and France, as great Democracies, to do something practical to uphold treaties and restrain the inhuman activities of Japan, they understand that lack of armaments to back up decisions to act, has been the principal restraining factor.

Nevertheless, the Chinese find themselves unable to understand why it is that none of the Powers who are menaced by and suffering the brunt of totalitarian abuse and expansions, has moved to effect a combination of such Powers with the object, if nothing else, of restraining the Japanese from acquiring such materials as iron and steel, or pig-iron and scrap-iron, from which they fashion the bombs that wreak such ruthless and inhuman devastation in China.

The Chinese feel that humanitarian impulses should be sufficient to prompt such a step, and common decency should, in itself, be enough to influence Democracies not to stain their hands with profits made from the spilled blood and wrecked homes of hundreds of thousands, indeed millions, of helpless Chinese.

What the Chinese see is the great Democracies expressing sympathy with China while they are taking these profits, and, at the same time, are inactively witnessing the deliberate undoing of all their vested interests and trade in China, as well as the undermining of their influence and prestige.

At least, the Chinese think, the Democracies might have taken their Ambassadors from Tokyo just to indicate to Japan that she was not a nice enough nation to be considered as an equal.

Consolation comes to the Chinese, however, from the efforts which sections of the people of the Democracies make to prevent shipments of weapons and material going to Japan, and from the financial contributions democratic people

0 1 8

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

- 38 -

make to the funds for the relief of the suffering of their millions. That is a gratifying action for which they are profoundly appreciative. Yet it does not compensate for the failure of the Governments of the Democracies to stand together to stop Japan continuing with her murderous follies and inhuman crimes.

The Chinese are of the opinion that if the Democracies would help China with supplies of equipment and munitions to cripple Japan they would, at the same time, destroy the menace of the Dictators, both in Europe and in the Republics of South America, which the Lima Conference revealed was seriously worrying the United States.

China herself has already crippled Japan. Only today comes the announcement over the Daventry broadcast that the Government of Japan is not only adding to the weight of the burden of the people another £290,000,000 in the form of national bonds "to meet the cost of the China war," but is considering increasing taxation by another £11,000,000. The Government of Japan has also had to "warn the people not to expect a rapid reduction of taxation even after peace has been secured on Japan's terms."

Despite her disappointment about Democratic inertia China is fighting with all her might. She will go on fighting, and it is encouraging to her, after 18 months of it, to see that both Great Britain and America are marking the birth of this new year by speaking more freely and significantly. Both now seem to be showing signs of resenting in some practical form or other the impertinences and the truculence and the destructiveness of Japan. Had that been done long ago, it is thought here, there would have been a great saving of money on armaments, and a complete dislocation of the axis that seems to be heading for more and more trouble as time goes on.

The credit advances by America to China, and those promised by Great Britain, had a very heartening effect, and gave the Chinese reason to hope.

The Chinese newspapers expressed themselves as full of confidence in the outcome of 1939. This year, they feel, will mark a turning point in Chinese history. China has "laid an unshakeable foundation through the sufferings and privations which she has been called upon to undergo," and has already proved that "the superior arms of the Japanese could not overcome the tensile Chinese spiritual strength, which will be the source of the power for a general Chinese counter-offensive and a turn-about from defeat to victory." At the beginning of 1937, one paper points out, "Japan was riding on the crest of the wave of military victories and was expecting China to surrender. But the conclusion of the year finds Japan at the crossroads not knowing where to turn after paying a high price in the form of 600,000 casualties, and nearly Yen 10,000,000,000 on military expenditure. On the contrary the morale of the Chinese army has never been higher."

The note which the United States sent to Japan as a New Year present is read by the Chinese as definite indication that Washington has made up its mind to give Japan pause. It was stern enough to shake Japan in the old days, and

118

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

- 39 -

may do something now, but the Japanese are a peculiar people and believe that they really have conquered and hold more than half of China, and will soon bring the Central Government to heel. So they may not be so upset about America's denunciation of their schemes to tie Asia up for the so-called "Asiatics" under the domination and direction of Japan. I wonder if the Japanese contemplate embracing the Polynesians in their "Asia."

Military Situation on New Year's Day

Regarding the military situation, one of the Chinese newspapers wrote that "militarily the Chinese seemed to have failed outwardly and geographically. But factually the Chinese spirit is becoming more unbendable, and the Chinese strategy is improving as the days roll by. Contrasted with this the Japanese are finding themselves deeper and deeper in the Chinese quagmire, while China has advanced from the stage of "prolonged resistance" to that of "counter-offensive."

"Politically," the paper adds, "the opening of the Emergency Kuomintang Congress, the inauguration of the People's Political Council, the Generalissimo's rebuttal of Premier Konoye's statement of December 22 and his open message to the Chinese people after the fall of Canton and the withdrawal from Wuhan, have pointed the way to armed resistance and national reconstruction. They have strengthened national unity and augmented the nation's will to resist to the last, and have demonstrated to the Chinese people and the world the impossibility of a compromise for peace with Japan and the reasons why ultimate victory for China is absolutely possible."

"Economically and financially, public confidence in the Chinese legal tender has been further heightened as a result of the enforcement of the foreign exchange and foreign trade control. At the same time, the execution of the 'Armed Resistance and National Reconstruction Program' has been facilitated by the successful conclusion of the Anglo-American credit loans. Meanwhile, the economic development of the Southwest has been carried out at an accelerated pace."

Military headquarters today report the situation on both fronts in Central and South China as remaining unchanged, but indicate that the Japanese are busy with a definite drive to cross the Yellow river out of Shansi into Shensi. The objective is, of course, the line of communication for supplies from Russia via Sinkiang. Two columns are conducting this drive along parallel routes, with a third column operating in another direction. All are being engaged by Chinese forces.

A military observer says that the present lull on the two fronts mentioned does not, by any means, indicate that the Japanese intend to stop where they are. On the contrary there is reason to believe that they are making preparations to resume their military advances in the south along the West river on the one hand, and up the railway line from Canton on the other, and down the railway from Yochow on the Yangtze.

118

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

- 40 -

The Japanese are expected to meet with difficulties in the latter adventure. There is low water in the Tunting Lake, and the country is very mountainous. In addition, the railway has been thoroughly destroyed by the Chinese. Strong Chinese mobile units are in the region harassing the invaders. Heavy reinforcements are being brought in by the Japanese to aid in the execution of the advance when the time comes. Probably, too, they may attempt a further advance up the Yangtze river. They have, I am told, "thousands" of shallow draft power boats. I fancy these are primarily due to the determination to capture the whole length of the railway from Canton to Peiping, and the boats will be used on the river from the Yangtze to Changsha. The railway has been destroyed and the roadway is kept in a state of impassability by mobile units of Chinese. The Japanese are apparently moving large forces up the Yangtze, for they have had 800 steamers plying on the stream during recent weeks.

Unless the Japanese take the whole of the Canton-Hankow-Peiping railway they cannot claim any sort of victory, and cannot even pretend to be in a position to control or administer any province in China. So far, the Japanese troops have found it impossible to take any of the country between the Yangtze and Changsha, and they have to take it all before they can start "marching as far as Tibet," as one of the boasting generals said they would do. Well, it is colder near Tibet than it is in Hokkaido, in Japan, and they do not like that country, even for occasional military manoeuvres.

Pai Chung-hsi, who is, as I have mentioned, now in command of the forces for the defence of Kwangtung and Kwangsi, has just reported that although the Japanese are sitting tight round about Canton - digging in for defence against the Chinese forces slowly closing in on them - they are preparing for a move against the railway northwards through Kwangtung, and also an advance into Kwangsi. General Pai thinks they are aiming at Nanning by way of the West river to cut the Chinese supply lines from Kwanchow and Indo-China. As he is a native of Kwangsi he ought to know what he is talking about when he says that the people of his province will all resist. He has divided the province into sections, and all able-bodied men have long been trained to look after themselves and their localities. Now, the General says, he is having a number of oaths prepared for the people of Kwangsi to take voluntarily, such as "I swear not to be a traitor," "I swear not to buy Japanese goods," etc. Unless the Japanese tackle Kwangsi with heavy units they are not going to have an easy time of it. But they are not having that anywhere except when they walked into Canton from Bias Bay. Curiously the Japanese are parading that unresisted march as a "great victory" which "surprised the world." They mean their valor caused the surprise.

The longer this war goes on the clearer it is becoming that the Japanese "invincibility" was a myth worked up in the imagination of the Japanese themselves. They have not even learned how to use modern implements, and German advisers long ago stigmatized them as knowing nothing about soldiering. If their navy is as bad as their army has turned out to be what will happen to it if a British or American fleet falls foul of it one of these days? Reports are that the navy of Japan is a real wash-out.

118

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

- 41 -

But whatever the military plans of the Japanese are much speculation has been aroused by the recent movement of some six divisions out of China to, it is reported, Manchuria. No one seems to know, however, whether or not these were being replaced, for the Peiping-Hankow railway was closed to traffic for six days and what went on the observers at Peiping were not allowed to see. Foreign military experts think transfers were going on.

Chinese guerillas have just derailed two Japanese military trains north of Paotingfu and one on the Tientsin-Pukow railway, and caused serious losses according to reports, all the cars having been reported as destroyed. It is interesting to note that the guerillas have informed the Chinese public that they may use the railways, as the guerillas were confining their attention solely to military trains.

As I have mentioned above, guerilla activities are being intensified, from Kwangtung in the south, to Hopei in the north. The Eighth Route Army is claimed by the Japanese to have been dispersed. If so, then their ghosts seem to be thorns in the Japanese side.

This reminds me to mention that Japanese propaganda has not changed since the beginning of this invasion. They never report losses, always have victories, and even their victories they exaggerate out of all recognition. If foreigners abroad have to estimate from Japanese reports the nature of the situation they must be puzzled to understand how it is that the Japanese army is still floundering about in the middle of China, with a Chinese army in being to oppose it. Japanese reports added up would account for the complete annihilation of several Chinese armies. Yet, Chinese are reported fighting near Hangchow and Shanghai, outside the walls of Nanking, throughout all the invaded provinces from Canton to the Great Wall, and constantly doing damage along all the railway lines and roads.

If the Japanese are accomplishing the annihilation of the Chinese as effectively as they proclaim, why are they making so little progress in getting out of the so-called "conquered" country, and still demanding so much money from their own people in order to stay in it? The simple truth is, of course, that 18 months after they started their invasion they are in a worse position and condition than when they began. The Japanese have to keep fighting and the Chinese are determined that they are not going to stop until victory comes to them some way or other.

Wang Ching-wei's Expulsion

The Wang Ching-wei bolt from Chungking into the arms of the Italian and Japanese talkers of peace has brought a swift sequel in the shape of Wang's ignominious expulsion from the party. On New Year's Day there was much going and coming among the members of the Standing Committee of the Central Executive Committee of the Kuomintang Party as a result of Wang's statement. Eventually they decided in meeting assembled to expel him for life and deprive him of all his posts.

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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

- 42 -

Wang was condemned for "the desertion of the important post entrusted to him; for betrayal of public confidence placed in him during this critical period of the war of resistance, and for issuing a statement in Hongkong on December 29 suing for peace with Japan on the basis of Premier Konoye's declaration".

His conduct was, the decision said, "tantamount to conniving with the enemy and seeking, in effect, to undermine the foundation of the States". The decision recalled that "China had suffered such precedents in the Sung and Ming dynasties, the fall of which had not been caused by the demoralization of the army or the submission of the people but by the intrigues of a handful of court officials".

"As long as the people remain unyielding in action and unswerving in faith the final victory will logically be China's", says the decision. And it "emphatically declares that the national policy shall be based on General Chiang Kai-shek's speech of December 26" (summarized above).

Following the expulsion of Wang Ching-wei, the Government issued an order for the arrest of "all traitors", who are to be permanently outlawed. This is directed at those followers of Wang who may deem it wise or necessary to adopt, or pretend to adopt, his policy.

The Chinese newspapers are unmercifully flaying Wang. That was to be expected of the papers at the present capital, but elsewhere, telegraph reports state, they are also strongly against him, particularly those in Shanghai. They say, variously, "his deviation from the revolutionary cause will not affect the outcome of the war"; "it will help to strengthen, rather than weaken, the cause"; "he has made his funeral oration so far as his political life is concerned"; "his punishment will enhance Party discipline". Papers refer to his "stupidity", to his "abhorrent action"; others describe him as a "Japanese tool", as a "piece of rotten meat", and "undesirable horse". The Huamei Morning Post, Shanghai, says "Wang is out of his mind". The Standard describes him as "a worse traitor than Chin Kwei, who betrayed the Sung Dynasty, or than Wu San-Kwei" - whose memory is detested by all Chinese - "who betrayed the Ming Dynasty. He is worse even than Wang Keh-min, and Liang Hung-chih", who are the respective heads of the present Peiping and Nanking puppet "governments".

"Foreign friends of China", said one paper, "may rest assured that China will never surrender to Japan and become her slave." The Hsin Min Pao says: "People at home and abroad will know that Wang's actions and opinions do not represent those of the Government but are entirely his own."

All of the newspapers are screaming for continuance of the war of resistance. So, at this dawn of the new year, China determines to fight on.

118

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

- 43 -

Will the Democracies Help ?

To save their interests from complete ruination the Democratic Powers should make up their minds to help China. Customs figures just issued show that as a result of the Japanese blockade and invasion foreign trade slumped by \$400,000,000 during the first seven months of 1938, as compared with the same seven months of 1937. From January to July, 1937, before hostilities started, the total foreign trade showed in Customs revenues at \$1,301,795,830, but for the same seven months in 1938 the figures were \$911,015,317. The heavy blow came during the four months of 1937 after hostilities started. In the same months of 1938 trade had picked up. Compared with 1937 foreign trade during the eleven months of 1938 (December returns are not yet available) was reduced by a total of \$164,948,926. Imports fell by \$84,924,516 and exports by \$80,006,410. This return enables the Ministry of Finance to report that: "As a result of the National Government's efforts to increase export trade and to restrict the supply of foreign exchange only to legitimate import trade, the balance of trade has turned in favour of China since June of 1938, the months of June to September each registering an excess of exports over imports. This fact should be noted by critics of the Government's policy of exchange control. For the eleven month period under comparison, the total excess of imports was reduced from \$117,750,125 in 1927 to \$112,814,019 in 1938. This must be regarded as a healthy feature of China's war economy."

Of course, after the effective closure of the connections between Hongkong and Canton a further slump took place, and will be shown when the figures are out. A filip to trade may be given by the use of the Burma road, if it proves practicable and immune to interruption by tribesmen, but that remains to be seen.

In the meantime, the Japanese are going ahead expanding their radius of destruction of both Chinese and foreign trade, impoverishing the people of China, destroying their purchasing power.

When the trading nations stop the sale of materials to Japan, or impose upon her financial embargoes of some sort, maybe they will curtail the power for harm that the Japanese have wielded unchecked for so long to everyone's disadvantage.

The News Chronicle, London, has just sent a telegram to Madame Chiang Kai-shek inviting her to send a message expressing her hopes for 1939. These are the hopes that Madame Chiang is wiring :

"I hope that 1939 will witness the emergence of a victorious China from the unjust war of aggression that is bleeding her to death.

"I hope that the courage of our soldiers, the spirit of resistance of our people, and the whole-hearted support

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

- 44 -

of our overseas countrymen and friends will endure until we prove that right is greater than might.

"I hope that the clouds of war which are now overshadowing Europe as a direct consequence of the unchecked employment of force for the conquest of Manchuria, in defiance of sacred international instruments, will be peacefully and wisely dissipated.

"I hope that 1939 will see all the Democracies of the world solidly united and able, by the sheer weight of that unity, to prevent the arbitrary abridgment of those principles of international justice, freedom and equality, which so profoundly influence the happiness and security of mankind."

With best regards, and compliments of the season,

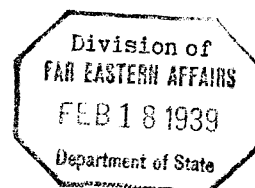
Sincerely,

(Sgd) W.H. Donald.

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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NOT FOR PUBLICATION



The subjoined letter written by Mr. W.H.Donald,
Confidential Adviser to Generalissimo Chiang
Kai-shek, gives a detailed account of the present
situation in China. It has been received by
Mr. H.J.Timperley from Chungking.

It is communicated to you on the understanding
that it is for your private information and,
whilst judicious quotation is permissible, it
is not to be published in extenso.

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JANE M. LEAFE

DECLASSIFIED: E.O. 11652, 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 OF THE GENERALISSIMO

Chungking, Szechwan
 China
 December 30, 1938

Dear Timperley,

It is a long time since I have been able to attend to personal correspondence. I was ill from July to the middle of October with fever. In consequence of that I was absent in Yunnan and Indo-China, and therefore far away from mail deliveries. I returned to Hankow on October 23, and left the next night, the 24th, with Generalissimo and Madame Chiang Kai-shek. Since that time we have been visiting various fronts in Hupeh, Hunan, Kiangsi, and Kwantung, reaching Chungking in December. Not till we got here was I able to attend to correspondence. Therefore this long delay in acknowledging letters which you addressed to me.

Since I last wrote, innumerable cities in China have gone up in smoke and dust, and veritable rivers of blood have flown on various fronts.

My last letters were written before the fall of Hankow. At that period the Chinese army was fighting everywhere with great courage and determination. They had to fall back whenever concentration of Japanese artillery and bombing planes threatened the annihilation of large forces, but the Chinese made the Japanese pay a high price for whatever advances they made.

The strategical policy for the first phase of the war was to hold positions as long as possible and then withdraw to new lines. This policy ended after the withdrawal from Hankow and the capitulation of Canton.

The first phase lasted from the outbreak of the war in July, 1937, to the end of October, 1938.

The second phase is now developing. The strategy now being followed is that of nation-wide mobile fronts, with intensification of guerrilla warfare and reinforcement of Chinese military and political strength behind the Japanese lines - or, in that territory which the Japanese claim to have "occupied."

After the fall of Hankow reconditioning of divisions, and readjustment of various military units, was undertaken. Henceforth there is to be more intensive training of the fighting forces before they go into action.

0181

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 -

Political workers will operate on a large scale in the "occupied" territories to fortify the morale of the people; to effect the collapse of the puppet regimes; to eradicate traitors, and to disaffect the Japanese subsidised troops - the Manchurian Chinese and Mongol soldiers who have been enlisted by the Japanese.

The Japanese now claim that they have "occupied" 75 per cent of China's territory, but they still call the war they have waged to effect that "occupation" an "incident."

When the Japanese began the invasion they avowed that they would win a quick victory over China. They declared that they were not seeking any territory, had no intention of injuring or affecting the interests of foreign powers, and were, above all, not fighting against the Chinese people.

The 18 months since the war began have proved the Japanese to have lied in every way except with regard to their claim that the aggression was merely an "incident". Time has demonstrated that the Japanese have desolated more territory, killed more non-combatants, destroyed more cities, stolen more property, and caused a greater displacement of human beings than probably has been ever accomplished by any war in history.

Not only have the Japanese inflicted these tragedies and losses upon China but they have studiously operated to destroy the commercial and vested interests of democratic powers, and, to crown it all, have at last confessed that their definite intention is to set up "a new order in East Asia" under which only those nations who subscribe to its conditions will be accorded commercial facilities and freedom of action within certain limits.

All of this destruction of life and property and trade has been carried out in accordance with the threat made by the Japanese Premier, Prince Konoye, on August 28, 1937, when he declared that it was the intention of Japan to "beat China to her knees so that she may no longer have the spirit to fight."

Japan has pursued that purpose with calculated and sinister intensity. And in connection with the revealing developments that have taken place since Japan's opening declarations and promises it is interesting to recall that on September 12, 1937, when Madame Chiang Kai-shek was broadcasting to America, she hazarded a forecast based upon information available here, that Japan was bent upon conquering China in order to establish a new empire in Asia. Her words were :

"They (the Japanese) are convinced that the powers dare not oppose them. So they are proceeding with plans of conquest confident that they will be able to devastate China, and, in time, drive out western cultural and commercial influences, so that, if we Chinese cannot prevent them, they may erect upon the ashes of China a world-shaking Japanese continental empire. It will not be founded upon international ethics (for Japan has already crippled those), but

019

DECLASSIFIED: E.O. 11652, 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 -

upon militarised force. At least they expect to control all lands where the Oriental races live, and eventually determine international conduct and policies."

At the time that Madame Chian Kai-shek made that forecast it was scoffed at by people in the outside world, and was denounced by the Japanese, who asserted again and again that they were actuated in their struggle by noble intentions motivated by a desire and determination to secure peace in Asia free from Red menaces, where all foreign countries could pursue their rightful ways in commerce and in culture.

Within a year of their aggression the Japanese falsified their declaration. And just a fortnight ago they took their courage, or their audacity, in their hands to announce to the world that the old order had passed, and that they were busily engaged setting up a new one which would give them the control of the whole of Asia, and, indeed, the Pacific.

In the meantime those foreign powers who have substantial and time-honored interests in China have found those interests not only flouted by the Japanese but deliberately menaced. Indeed Japan has given expression to the innuendo that it is her intention to let foreign interests go by the board unless the powers concerned expressly agree to her hegemony of Asia and the Pacific.

During the past 18 months China has been fighting a single-handed war against a nation who was believed by the world to have built up a military and naval organisation of a calibre well-nigh invincible. Not only has China fought this mightily armed Japan, but she has, in addition, in fact, been engaged against those democratic powers who have consistently succored Japan by supplying her with equipment and material designed to shatter to pieces the lives and property of the Chinese.

That support of Japan by the democracies is the worst aspect of this war, which the Japanese keep calling an "incident", and which designation none of the powers have had the temerity to challenge.

China rushed into action, with what appeared to be reckless bravery, with her troops ill-armed, to meet the great aggregation of strength which Japan put into the field - with the specific and declared object of delivering one smashing coup de main to finish the job quickly - but as time has gone on China has shown her ability and courage to meet her enemy, though she has been unable to replace her losses of equipment, especially aerial, or acquire new modern arms.

The navy of Japan, like a sledge hammer crushing a mosquito, blockaded all the coast of China. Time has demonstrated that she was merely patrolling empty ports so far as the Chinese were concerned, but had incidentally, if not intentionally, scored a major point against the foreign powers by crippling their import trade into China and ruining their economic connections in all directions.

- 4 -

The Japanese military machine discovered, too, that with its advance into China, costly and slow and exasperating though it might be, it was accomplishing the wreckage of foreign commercial and political connections with interior China, and, in the majority of cases, had managed to tear up foreign prestige by the roots. This in itself was a triumph for Japan, and, perhaps, an ample measure of compensation for her inability to wreck Chinese morale, or her slowness in breaking down Chinese resistance. Japan has been able, until now, to prevent foreigners from employing their ships upon the waters of the Yangtze, and the Pearl and West rivers, to say nothing of her success in forbidding foreigners from going about their lawful business throughout the 75 per cent of the Chinese territory which Japan now claims to have "occupied".

Japanese "Occupation" Precarious

So far as foreign interests are concerned Japan has, in reality, "occupied" that area, but so far as the Chinese are concerned she has not. Her "occupation" has been confined to precarious lines of communication, and some cities. All lines of communication are constantly being torn up or interrupted by attacks by Chinese troops or guerrillas, and in the case of every city "occupied" the Japanese dare not go outside of their defences after dark, and only may do so in the daylight in large well-armed units. In all the rest of the territory the Chinese go about as they please, especially after dark.

What this "occupation" amounts to is indicated by significant figures given out by the President of the Executive Yuan. They show that

the withdrawal of Chinese troops before the overwhelming armament of the Japanese has, after 18 months of resistance, left 796 hsien (or counties) in the nine provinces of Kiangsu, Chekiang, Anhwei, Kiangsi, Shantung, Honan, Shansi, Hupeh, and Hopeh, unprotected by the regular Chinese army.

Falsifying the Japanese claim that they have "occupied" these counties is the fact that in 489 of them the District Magistrates appointed by, and working under, the Central Government, are still exercising full authority; in 248 of them the Magistrates are exercising partial authority, while only in 59 districts have the Magistrates been unable to function at all.

Not only have the Japanese troops not gained indisputable domination of these so-called "occupied" areas, but it is impossible for the Japanese army to control even a portion of the territory.

With gradual restoration of Chinese Government political control in these areas (revealed with remarkable impressiveness in articles on "Resurgence in China" published in "The Times" on October 12 and 13 last) there will be sown, as the President of the Executive Yuan put it, "one of the seeds of Japan's downfall."

119

DECLASSIFIED: E.O. 11652, 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 -

At no time during the past 18 months have the Japanese been able peacefully to exploit any of these regions. The actions of the Japanese military in trying to force down prices of raw materials have been met by passive resistance manifested in many cases, for instance, by farmers ploughing in their cotton to plant wheat, and wool-growers in west China and Inner Mongolia allowing the wool to spoil on the backs of their sheep rather than submit to low prices being forced upon them. Adulteration of beans and grain purchases with dirt and water is rampant.

Guerilla activity and passive resistance, to say nothing of sabotage and general hostility will, in the end, prevent the Japanese exploiting China, and will certainly ruin any foreign interests who seek profits by financial or other cooperation with the Japanese. This significant fact has at last been discovered by the British merchants concentrated at Shanghai, as they are reported to have demonstrated in no uncertain way in their recent conferences with the British Ambassador and the British Admiral at Shanghai. They realize that the Japanese will, if they succeed in creating puppet regimes, use those organizations as instruments to flout, and undermine, and destroy, foreign vested interests and commercial and industrial undertakings.

Puppet Regimes

The Japanese have, ever since they occupied Peiping and Nanking, been trying to set up puppet regimes which would appear convincing to foreign powers, and be able to carry influence with the Chinese people. The Japanese have so far failed to do this because they have not been able to persuade any Chinese sufficiently respectable to take up office. Neither in Peiping nor Nanking does the puppet regime carry any weight outside the walls of those cities. It is questionable if they hold sway within the walls. The Japanese had made great preparations for a unity of the two puppets a few months ago, but had to cancel it because General Wu Pei-fu, upon whom they depended, refused, at the eleventh hour, to come out.

It is interesting to note that General Wu Pei-fu demanded uncontrolled command of 60,000 troops, well-equipped and paid. It is more interesting to realize that Prince Konoye, so anxious to have some kind of "government" established, urged that General Wu Pei-fu's requirements be met. The Japanese military, having learned a few painful lessons in the past, refused to arm General Wu Pei-fu so that he, or the officers under him, could successfully turn and bite the hand that fed them. So the amalgamation of the two regimes is, at this writing, still unaccomplished.

However, the Japanese, convinced that the amalgamation would be effected, and that the "new government" would be launched about Christmas time with great pomp and circumstance and authority, began counting their chickens before they were hatched. Cocksure of success, they (to be Irish) opened their mouths and let the cat out of the bag. 2

019

8

DECLASSIFIED: E.O. 11652, 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 -

It was Prince Kenoye who awakened the diplomatic world to the menace behind Japanese activities when, on December 22nd last, he defined "the new regulation of the relations between Japan and 'new China'." In this revelation of policy the Prince callously swallowed all of Japan's previous declarations to foreign powers. His announcement that a "new order" would be established in East Asia, was emphasised by the implication that business could only be done with the "new order" by nations who toed the line.

The puppet officials at Nanking promptly answered the whip crack of their new masters by publicly proclaiming that the "new China" would support the "new order" by abrogating unequal treaties, by abolishing foreign concessions and extraterritoriality, and by compelling the withdrawal of foreign troops from China. The "new order in East Asia" will, in time, embrace complete domination by Japan of all Asiatic countries and peoples, as well as mastery of the Pacific for the mention of the cardinal point "East" can be disregarded. All this, without a "by your leave or beg your pardon" from Japan to any of the democratic foreign powers, though, no doubt, with loud applause and fervid encouragement from those of totalitarian tinge.

However, as I have indicated, suitable instruments which were to have been used as the lever and the fulcrum to hoist this "new order" into being have not yet materialised from the dreams of the Japanese. Whether or not the democratic foreign powers, who have been permitted to discover from these declarations the fate that the Japanese have in store for them, will now act to frustrate the plans for their undoing remains to be seen.

The Japanese have, with vicious ferocity, desolated vast areas of China, have massacred hundreds of thousands of innocent Chinese, have demolished their homes and their businesses, have caused millions of peaceful and poor people to migrate westwards, and, even worse than that, have been guilty of unparalleled rape and rapine, and have, with calculated remorselessness, set about the demoralization as well as the impoverishment of survivors by destroying or removing means of livelihood and setting loose a deluge of opium and narcotics upon the land. That is a summary of the gross inhumanities which the whole world is tolerating.

China's New Spirit

China has been able to survive during the past 18 months and keep armies resisting in the field quite contrary to the ideas and expectations, not only of foreign nations and observers, but of the Japanese themselves. She has been able to do so because foreigners, including the Japanese, have failed to recognise the new spirit that has been born in China. That spirit is manifested in the heroic stand Chinese troops have been making with unshaken bravery against concentrations of death-dealing weapons as great as, if not greater than, any that were used in the Great War. The Chinese soldiers have proved, by valorous manual combat, that man to man they are superior to the Japanese. Testimony on this point comes from foreign observers who witnessed fighting in many places on many fronts.

119

DECLASSIFIED: E.O. 11652, 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 -

Foreigners have laughed with scorn at the New Life Movement, and other measures, which have been responsible for transforming China from a nation of pacifists, or cowards, into a nation prepared to shed streams of its blood in defence of its heritage.

As Japanese superior armament decimated the Chinese forces new troops kept on filling the trenches until China now has, for the first time in her history, a citizen's army. This force has been recruited during the war. The young soldiers know why they have joined the army, and they are prepared to give their lives in trying to defend their country against occupation or subjugation by the Japanese. This army is now wholly composed of youth, with a large proportion of students. They march in singing from all the provinces, and with them - which is a striking development in China - march hundreds of girls and younger students, from middle and high schools, who go to the front lines for various services, some carrying arms and using them. This appearance of the girls on battle fronts is a departure which may prove a surprise to the world but which has proved to be of great value to China. One of the commanders at Tierchwang said that the victory there (which was China's first big victory over Japanese forces) was due to the efforts of the young people who were working among the soldiers and officers. The sight of these young people marching from distant provinces - some of them hundreds of miles of mountainous roads away - to the front is a thrilling one. But an even more stimulating sight is that of the girls and women who are training in thousands behind the lines, in near and far distant villages and towns, for later service in the cause of their country.

When Japan began what she thought would be a simple task to subjugate China she apparently overlooked the tremendous obstacle which 450,000,000 human beings would be to her advance and her attempt to conquer the country, even if they passively laid their bodies upon the railways and highways. Japan with all her professed intimate knowledge of China, never expected the Chinese to exert themselves, especially in war against the super-soldiers - the sacred and invincible army - of Japan. But the Japanese seem to have been the only foreigners who know China who could not see that a new spirit was fast developing in this country. Or did their amazing conceit blind them?

Financial Measures

In addition to what flesh and blood are contributing to the resistance of the Japanese invaders certain steps taken by the government at the outset enabled the coffers to stand the strain of expenditure. The fiscal measures introduced to prevent a possible crisis in the currency market included, the Minister of Finance says, the creation of a joint discount and credit extension through the four issuing banks - Central Bank, Bank of China, Bank of Communications, and Farmer's Bank - which enables them to grant discounts on bills and securities and extend credit in order to facilitate the circulation of capital and to assist trade, industry, and agriculture adversely affected by the war.

Last April regulations were issued to improve the local currency structure

7194

DECLASSIFIED: E.O. 11652, 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 -

to permit agriculture, timber, industrial and mining industries in the interior to obtain capital for the exploitation of natural resources.

In March last foreign exchange control was introduced to stabilize foreign exchange and promote export trade. Special measures were adopted to increase the export of Chinese products - measures governing exporters' purchase of foreign exchange.

Revenue derivable from the Customs, Salt and Consolidated Tax Administrations has been considerably affected. To cope with the situation Customs authorities readjusted the Transit Duty by setting up more collecting stations at important overland and waterway towns. The Consolidated Tax revenue has materially increased following the promulgation of regulations governing the collection of the Stamp Tax and the enforcement of the Consolidated Tax in the four provinces of Yunnan, Chinghai (Kokonor), Sikong (western Szechwan), and Sinkiang (Chinese Turkestan).

The Income Tax for the 25th fiscal year (July 1, 1936, to June 30, 1937), is reported to have exceeded the budgeted income. Although the returns for the 26th fiscal year are not yet in the Minister of Finance says the indications are that they will triple those of the previous year. The chief new sources of revenue to be tapped are the Inheritance Tax and War Profit Tax, for which regulations have just been passed by the Legislative Yuan. Despite the financial difficulties the Government has exempted the peasants from paying the Farm Tax in arrears before 1936, and has also abolished the new Farm Tax introduced in 1937.

With regard to loans, the Minister of Finance points out, the government has so far floated only approximately \$1,500,000,000. These are \$500,000,000 Liberty Bonds for 1937; \$500,000,000 National Defence Loan for 1938; Customs Gold Unit \$100,000,000; \$50,000,000 (United States Currency); £10,000,000, and \$30,000,000 Relief Loan.

An unending stream of patriotic contributions from Overseas Chinese serves to bolster Chinese finance and economy.

Economic reconstruction is being pursued as effectively as circumstances permit, the Minister of Economics asserts. To develop agriculture, industry, commerce and mining, and to expand war-time production and promote foreign trade, commissions have been formed under the title of Agricultural Commission, Industrial and Mining Commission, and Foreign Trade Commission. The Ministry of Finance provided \$30,000,000 capital for the Agricultural Commission, \$10,000,000 for the Industrial and Mining Commission, and \$20,000,000 for the Foreign Trade Commission to readjust domestic trade and maintain the export market.

Coupled with foreign exchange control the Government instituted trade control to build up its foreign exchange reserve in order to meet the demand for foreign exchange to pay off the heavy inflow of munitions from abroad.

119

DECLASSIFIED: E.O. 11652, 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 total export between January and July, 1938, was valued at more than \$90,000,000, while the foreign exchange accumulated up to September last had reached \$60,000,000.

To promote productive enterprises in the interior and mobilize the entire country's farmers and laborers, the Commission for the Promotion of Agriculture and the National Industrial Co-operative Society are to conduct research and introduce scientific methods of production. Attention, meantime, is being directed toward the construction of a net-work of trade routes with the outside world, and to the betterment of foreign trade machinery.

The Ministry of Economic Affairs is devoting its efforts to the strengthening of rural economy, the readjustment of transportation and marketing of farm products, the rationalization of agricultural organization, and the migration to, and reclamation of, waste lands by refugees from the war zones. The Ministry is also reinforcing the machinery of commerce and trade, and fostering the market for native goods. Irrigation and construction of communication routes are also being undertaken.

I have given these facts, just gleaned from a statement by the President of the Executive Yuan, to indicate how this country has hung on for 18 months, and what it is doing to persevere with its resistance.

Munitions Supply

The cost should be less now than it was during the first phase of the war, but expenditure on munitions and equipment will be higher owing to the increased rates due to road transport from the Burma border. However, there were, on hand, sufficient munitions to keep the armies supplied for nine months or a year when Canton fell.

The road from Burma is now operating, and the transport authorities on the Chinese side are arranging for stations to be established along the way for the service of the transport. These will include medical stations every 60 kilometres (with quinine and other necessities to be given free of cost to anyone who reports with illness), repair stations for trucks, and stables for relays of transport animals.

In addition to trucks the transport people will use bullock carts and pack animals to carry material for which there is no particular hurry. An effort is being made to get second-hand motor car axles and wheels to be fitted to bodies and shafts to be drawn by animals. One such vehicle, having ball-bearings, will carry a ton or more with two animals hauling it - so it is said. Every means of transport available will be tested out. Another new road has been made from Kunming, Yunnan, to the Yangtze river, near Luchow. The grades are easier and the route is shorter than the highway passing through Kweichow. Also, the Yangtze river can be used for quite

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

- 10 -

a distance to Chungking, or the Min river can carry cargo up to Chengtu for transport into Shensi by road.

Ambassador Nelson T. Johnson, of the United States of America, was recalled to Washington by President Roosevelt, and was instructed to travel by car over the road from Chungking to Rangoon, in Burma. The Ambassador left in company with Major J. M. McHugh, the Assistant Naval Attache, and one Chinese driver. I had letters from them from Kweiyang and Kunming, and a wire came from Lake Tali, reporting an interesting journey. They arrived at Rangoon yesterday morning, according to a radio broadcast from London, having travelled 2,100 miles in 13 days. Apparently the American authorities were desirous of having first-hand information regarding the feasibility of the road as a transport artery. As the new road will soon be opened from Yunnan to the Yangtze river at Luchow, transport will be easier, and speedier by several days.

Whether or not transport along the Burma-Yunnan road is going to be smooth remains to be seen. There is reliable evidence that the Japanese are working strenuously to arrange for the disruption of traffic. They long ago started to stir up the Burmese, using their usual methods, and they are trying to arm the tribesmen, who live in the part of Yunnan traversed by the road, to destroy truck or other caravans, and cut the bridges and roadway. What success will attend their efforts cannot be told yet, but already they have managed to have demonstrations of Burmese in Rangoon which have led to bloodshed. The "Burma for the Burmese" slogan that was being cried is part and parcel of the "Asia for the Asiatics" which Japan herself is now crying. Burma is one of the Asiatic states Japan expects to have in her "East" Asiatic "New Order". She shows thus that the "East" is but dust for the eyes of the stupid foreign devils. Already Japan thinks she has Siam in her scheme and she also aims at and counts upon getting India.

Wang Ching-wei Episode

January 1, 1939

All this should indicate to you that resistance is going on, and any talk about peace should be discounted unless suggestions for peace that will safeguard China's complete sovereignty emanate directly from the Japanese side. There has been much gossip about Wang Ching-wei being on a peace mission for the Chinese Government. He certainly left Chungking, and did say something in Yunnan about trying for peace, but he is without authority. I personally believe, however, that the Japanese are very anxious for peace.

For your information the present story is this : Wang is one of the small pro-Japanese party which has always existed. They are credited with thinking more of themselves, their profit and power, than of their country. Be that as it may, most of them have been ostentatiously displaying their patriotism since the war began. But Wang Ching-wei has been out of the picture for some time so far as real political influence goes. He probably feels that

0191

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

- 11 -

if he can arrange acceptable terms with the Japanese there will be a large element ready to accept anything so long as they can be secured in whatever they may be holding. This particular attitude of Wang was apparently crystallized recently by his acceptance of the views of some of his followers who keep in touch, possibly indirectly, with the Japanese. Some of that group were in Hankow after the withdrawal. The one-armed Father Jacquinot, of "neutral zone" fame, was there also. His story here is that he was inspired to thoughts of peace by the sight of Japanese troops coming into Hankow down-at-heel, and war-weary, many bearing the scars of old wounds. He saw the Japanese Admiral, then in command at Hankow, and asked, what about peace?

Said the Japanese Admiral to Jacquinot (ineffect): "We of the Japanese navy want peace; this war is leading Japan to suicide; but we are under the Government, and the Government is under the military. But if the Chinese desire peace maybe it can be arranged."

The energetic Jacquinot promptly decided to try to be the peacemaker. He spoke to Wang Ching-wei's representatives in Hankow suggesting to them that the chance was good for Wang to emerge from the political shadows and achieve renewed national prominence. They were eager for that, and, willingly enough, they wired to Wang suggesting that Jacquinot go to Chungking for a conference with him. They also took the precaution to wire similarly to the President of the Executive Yuan. The latter did not openly encourage the expedition of the Padre, but, apparently, Wang acquiesced.

Jacquinot appeared here in due course. He did not see the Generalissimo, and Madame Chiang Kai-shek was "too busy" to see him when one of the secretaries transmitted to her on his behalf a request for an interview.

Madame Chiang told the secretary that "she would not see anyone who was trying to work with the Japanese to try to get peace at the expense of China." But the President of the Executive Yuan saw him. In the talk Jacquinot explained what happened at Hankow, as related above, but got nothing in the way of encouragement. Instead, the old Father was told very plainly that the Chinese were fighting for their lives and their heritage and intended to keep on fighting while "invaders occupied their country."

The Generalissimo had to go to the Shensi front, and took off for Sian on December 20. On the 18th Wang Ching-wei saw the Generalissimo, who was to have left the following day, and told him that he (Wang) was going to Chengtu to address a gathering. The next the Generalissimo heard of Wang was while he was in Sian. (It was, by the way, the second anniversary of the Generalissimo's detention there.) He was surprised to receive a telegram from the Governor of Yunnan province saying that Wang had appeared there, having arrived by airplane; had told the Governor that he (Wang) thought there was a chance to have peace; asked the Governor to support him; said that the Generalissimo had twice told him (Wang) that peace with Japan was acceptable so long as China was not destroyed, and thus gave some verisimilitude to the genuineness of his "mission." But the Governor suspected him, wired the details of the statement to 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

- 12 -

Generalissimo, and asked: "Do you know anything about this?"

The Generalissimo replied that he did not know anything about it, and added that there was no question of peace on Japan's terms; that he had not discussed the question as Wang reported, and that China was continuing with her resistance with intensified determination.

The Generalissimo and Madame Chiang arrived from Sian on the afternoon of Christmas Eve. (Two years ago we got out of Sian on Christmas Day.) That evening at dinner we were talking about Wang when the Generalissimo told me that I could inform both the British and American Embassies that Wang was not empowered to talk peace to anyone; that if he did so he spoke on his own behalf and had no authority to speak on behalf of the Government or the Party; that China was not only not thinking of peace on Japan's terms, but was actively preparing to continue her resistance with intensified effort. I gave this message by telephone to J.D.Greenway, of the British Embassy, about 7.30 p.m. on the night of Christmas Eve, and asked him to pass it on to the American Chargé (Willys R. Peck) whose telephone number I did not know. Greenway informed Peck later that evening.

The air was thick with rumors, mostly circulated by the Japanese radio services. They reported that Wang had "escaped" from Chungking; was the victim of political intrigue, and so on.

So far as we then knew Wang was in Hanoi. The news given out here was that he had gone on a private trip to Kunming at the invitation of the Governor of that province. Speculation was rife in Hongkong, where Wang was expected to turn up at any moment and enter into peace negotiations with the Japanese. The Japanese said so. No doubt they will talk peace with anyone whom they think might serve their purpose.

The Generalissimo sent a gentle message to Wang suggesting that he return as soon as he had recovered from the illness which took him to the French doctors at Hanoi.

Chiang's Answer to Konoye

It was on December 22 that Prince Konoye made his declaration at Tokyo "telling the world" that Japan had triumphantly enmeshed "new China" in a "new order in East Asia," and was more determined than ever to annihilate "the Chiang Kai-shek regime." The patronizing Prince also announced that Japan would be glad to see any foreign nation who would subscribe to that "new order" doing business in China.

On December 26 the Generalissimo definitely scotched the idea that the Chinese Government was bent upon initiating peace talks. He "took occasion by the hand" to speak at the regular Monday Memorial Meeting at the Central Kuomintang Headquarters. He referred to Wang Ching-wei, and traversed the

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

- 13 -

whole of Prince Konoye's statement, branding it as a confession of Japan's ambition completely to subjugate China and dominate the Far East.

The Generalissimo stated that on all war fronts the fighting morale of the troops was extremely high since the soldiers were fully cognizant of Japan's intentions, and understood that China must oppose her enemy with all her resources in order to save the country. The people, he said, were also fully aware of Japan's dangerous and aggressive design, and knew that "we cannot expect to survive without seeking life through risking death."

While stating that Prince Konoye's pronouncement was "scarcely worthy of a reply," the Generalissimo asserted that since the issue of the manifesto by the Japanese Government on November 3, there had appeared "strange and illogical statements" made by the Japanese Prime Minister, Minister of War, Minister of Navy, and Minister of Foreign Affairs. Their intention was, he added, "to misguide their own people and hoodwink the world."

The Generalissimo said that he was rather concerned "lest sections of people throughout the world may not understand the danger that lurked behind the Konoye smoke-screen, and may regard the issues raised as rather innocuous."

When Konoye talked about a "new China," explained the Generalissimo, he meant that "it was the intention of the Japanese militarists to exterminate the independent China and create a vassal China. By using the threat of a Red peril as a pretext, the Japanese wanted to control China's military affairs. By alleging an intention to uphold Oriental civilization they aimed to uproot China's racial culture. By claiming to eliminate economic barriers they designed to undermine American and European prestige so as to dominate the Pacific. By utilizing the so-called 'economic unity of Japan, Manchukuo, and China,' or, 'economic bloc,' they aspired to strangle China's economic arteries."

Simply speaking, said the Generalissimo, this so-called "new order in East Asia," may be regarded as "an all-inclusive term for doing away with international order in East Asia, creating a vassal China with which to dominate the Pacific, and to dismember the other States of the world."

When Konoye was talking, the Generalissimo said, his intended audience was obviously the American and European countries and the world at large. Konoye exercised special care in the choice of words, pretending that what he wanted of China was neither territory nor war indemnity, and that Japan was planning not for her own private interests but for the benefit of the general situation in the Far East. Konoye even ventured to say that he desired China to become a completely independent state. Konoye's calculations seemed to be based upon the assumption that the world still does not understand the real meaning of the so-called "new order in East Asia."

The Generalissimo declared that when Japan entered the Anti-Comintern bloc it was neither to oppose Communism nor to prepare for war against Soviet Russia, but to borrow the term to exterminate China.

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

- 13 -

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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

- 14 -

"If China could now consent to Japanese troops being stationed in North China," he added, "and allow Inner Mongolia to be set aside as a special area, as Japan now demands, China would not have begun the armed resistance on July 7, 1937. If, too, China were prompted by fear to allow Japan to station forces in North China, the Nationalist troops would not have fought their way to Peiping when the Revolutionary troops were stopped by Kanaka in Tsinan in 1928. For the same reason," the Generalissimo emphasized, "China would have allowed Japan to take North China and Inner Mongolia. For her to make such demands at the present time betrayed a poor understanding of modern China."

The Generalissimo stigmatized Konoye's terms as "many times more comprehensive and viciously severe than Hirota's much advertized 'three principles.' Since even before the war," asked the Generalissimo, "China could not accept Hirota's 'three principles,' how could the enemy entertain the unwarranted hope that China is going to accept the Konoye demands which were aimed at her national subjugation?"

"In so far as plans and imagined means for subjugating China are concerned, the Japanese militarists have them all. What is still lacking, however, is a China which can be deceived or threatened into surrender. The situation being as it is, if we hope to live under a tiger's chin, and to secure independence and equality for our nation through peace and compromise, we shall not be different from a lunatic talking in his dream." Thus the Generalissimo, and he asked, "how could a nation of 60,000,000 people destroy a large country which has thousands of years of history and a population of 450,000,000 people?"

"The aims of this war, in so far as China is concerned," he added, "are to complete the task of national revolution and to secure for China independence, liberty, and equality, and internationally to uphold right and justice, to restore the sanctity of treaties, and to rebuild peace and order. This is war between might and right, it is a war between a law observer and a law breaker. It is a war between justice and brute force. A Chinese proverb says, 'The virtuous one is never alone; instead he always has neighbors.' Right and justice must emerge victorious. We must hold fast to our stand, fix our eyes on our goal, and be firmly determined. The greater the difficulties are, the stronger we resist. The entire nation carries on the struggle. The final victory must be ours. I hope our comrades, and the armies, and the people of the nation as a whole will redouble their efforts to attain our goal."

That is China's answer to Prince Konoye's proposition for a "new order in East Asia" at the expense of China.

In referring, during this speech, to Mr. Wang Ching-wei's departure and alleged peace talk, the Generalissimo said that he was confident "that none of our people, knowing the major issues at stake, and familiar with the situation itself, still cherish the idea of a compromise for peace with Japan. Mr. Wang, fully aware of the Japanese militarists' designs to conquer China, will naturally feel all the more antagonistic to the Japanese militarists," and he added that he felt sure Mr. Wang would display "the spirit of common effort in the country's

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

- 15 -

service by seeing the war through and sharing the responsibility of surmounting the national crisis."

This statement by the Generalissimo not only knocks talk of peace on the head, but, also, settles the question of Mr. Wang Ching-wei's authority to talk peace on behalf of China.

Japanese Intrigue

The Japanese are working hard upon Mr. Wang, and maybe they will try to persuade him to wear the mantle of a puppet and head their "new government." I think, however, that Wang has not the courage to do that, even if he possesses the desire.

The Japanese have, however, previously made several efforts to involve Wang Ching-wei in peace talks. When the direct German efforts on behalf of Japan failed about Christmas Day, 1937, the Japanese eventually got the Italians to sound Wang. At first he was approached by the Italian Ambassador, and, later, by the Italian Chargé d'Affaires, who suggested that if the Generalissimo would retire and Wang would write a letter to the Foreign Minister in Tokyo saying that when the war concluded, China would have no resentment against Japan and that there would be no more anti-Japanese feeling or agitation, the Japanese would be content to withdraw their troops upon terms easy for China.

At that time Wang was wise enough to ask why the Italian Chargé approached him. The reply was that they could not very well ask the Generalissimo to write such a letter.

Wang, to his credit, be it said, informed the Generalissimo of this overture. He also informed him of a second effort, when the Italian Chargé did not suggest the retirement of the Generalissimo and suggested that the Japanese would be content with a letter from Wang Ching-wei.

However, I heard later, from a foreign diplomat, that Wang Ching-wei did set down in writing some peace suggestions to the Italian Ambassador. Whether or not the Ambassador passed them on to Japan, I do not know. If he did, the Japanese apparently did not then make anything public, or try to act upon them, obviously knowing that Wang's weight did not count for much in the scale against the weight of resistance under way to save China's national honour.

That the Japanese entertained hopes that sooner or later they would be able to catch and use Wang is clear from what has just happened. They probably believe they can compromise him so much that he might be ready to succumb to their allures and allow himself to head a peace movement to break down national unity, if not to be set up as the head of the new puppet regime. Again, I say, I cannot believe that Wang, no matter what his mood may be, possesses sufficient courage to accept any Japanese proposal that will involve the collapse of China's solidarity even if he has the will to do so. I am reluctant to believe that

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

- 16 -

he would be content to be a party to anything likely to affect China adversely no matter how much he might feel the urge to try to climb over the Generalissimo into a dominant political position.

Daventry broadcasted on the night of December 30 that Wang Ching-wei was reported by Hongkong to have sent a message to the Generalissimo urging the prompt exchange of peace terms with Japan. Wang is said to have claimed that three points had been put forward by Konoye, namely, peace to be conditional upon the withdrawal of Japanese troops from China; economic co-operation in North China with Japan, and the signing by China of the Anti-Comintern pact not to affect relations between China and the Soviet. I heard the broadcast (midnight from London) which came through here at 7.40 on the morning of December 31, and at once sent a note upstairs to Madame Chiang to ask the Generalissimo if he had received such a telegram. Promptly Madame Chiang wrote back: "Generalissimo has received no such telegram from Wang. You can have Reuter or some other source deny this." So that's that.

The origin of the broadcast news item we discovered later in the day. It came in a Reuter wire from Hongkong. It appears that on December 30, at Hongkong, the "followers of Mr. Wang Ching-wei" released "a lengthy and involved message addressed to Generalissimo Chiang Kai-shek and the members of the Central Executive Committee of the Kuomintang" advising them "promptly to exchange peace views with Japan upon the basis of the three points which Prince Konoye set out in his December 22 declaration - (1) resumption of diplomatic relations between China and 'Manchukuo,' (2) the conclusion of a Sino-Japanese Anti-Comintern pact, and (3) effective Sino-Japanese co-operation in the economic sphere on the basis of equal rights."

In his analysis of Prince Konoye's statement, Mr. Wang overlooks Konoye's renewed assertion "that the Japanese Government has not altered its determination to continue military operations in China until the anti-Japanese Kuomintang government is completely exterminated," and a specific statement that "Japan, however, desires to bring about a new order in East Asia through co-operation with those far-sighted Chinese who are pursuing the same aims as the Japanese." To wit, the puppets.

Wang seems ready to swallow the recognition of "Manchukuo" and interprets Konoye's remarks as a readiness on the part of Japan to deal with the very government that he avows the Japanese will continue to crush - namely, the Kuomintang and Generalissimo Chiang Kai-shek.

By some strange process of reasoning Wang comes to the conclusion that Konoye is saying one thing and meaning another, for while Konoye specifically stated that "for the entire duration of the pact Japanese troops were to remain at certain points in China, and that Inner Mongolia should be regarded as a special anti-Communist zone," Wang, in his statement assumes that the Japanese would consent to "the withdrawal from China of the Japanese army in totality," restricting the stationing of Japanese troops to special areas in the vicinity of Inner Mongolia."

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

- 17 -

Wang also believes, or pretends to believe, that the Japanese would, "in exchange for freedom for the Japanese to live and pursue their business in China, surrender concessions and consent to the abolition of extraterritoriality." Konoye did not say anything of the kind as part of his declaration, so far as we here have seen. The reference to the "abolition of foreign concessions" was made by the puppet regime of Nanking, as I have mentioned above.

Wang further makes out that he is naive enough to believe that if China signed an Anti-Comintern pact with Japan the latter would not, in any way, interfere with Chinese military or political affairs. Nor, Wang says, would the signing of such a pact "affect our relations with Soviet Russia." And, he adds, "since the Chinese Communist party has already pledge itself to support the Three People's Principles, it should abandon its party organization and propaganda work, abolish its frontier government and special military system, and be absolutely subject to the legal institutions of the Republic of China." He should have added: and quietly subject itself to the domination of Japan, or be driven into Inner Mongolia by Japanese troops.

Wang thinks that Konoye's third point could be accepted in principle.

Wang does not say one word about the inhumanities of the Japanese and their desolation of vast areas of China, but is apparently willing to forget the fiendish slaughter, the rape, the rapine, and the ruin, inflicted by the Japanese, and embrace them on the basis that "we should co-operate with all interested in the common cause of promoting international friendship and mutual interests."

So, Wang goes on record as a believer that Japan is interested in the "common cause of promoting international friendship and mutual interests," after she has been asserting herself for the past 18 months to destroy his people and his country, and strives to oust Democratic interests from Asia.

Italy and Germany

Wang Ching-wei's interpretation of Konoye's declaration is markedly at variance with that of the Generalissimo, as outlined above. But Wang is a politician, and he is being used by politicians - the Italians and the Germans, who have been trying to get Japan out of China for a long time now.

Both Germany and Italy sorely need Japan's army and navy for the consummation of their expansion plans in Europe, which are sure to crash into Russian interests before they go far.

Japan alone could not extricate herself from China, so the Italians and the Germans are trying to use Wang Ching-wei as the instrument to pry her loose with the maintenance of some "face" and gains. They tried before for peace, but the Generalissimo would have none of it while Japanese troops were ravaging the land.

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

- 18 -

The Italians in particular have been exercising their influence for some-time upon Wang Ching-wei. One of their High Priests in Hongkong declared some-time ago that there would be peace by Christmas, or a damaging split in the Chinese Government scheme of things, and gave out recently that Wang would be in Hongkong very soon. I mentioned above that as a result of the Italian Embassy's efforts Wang became involved in the peace intrigues and wrote a statement of his ideas of terms to the Italian Ambassador. They are using Wang against the Generalissimo, that is certain. Of course, Japan may step down from the platform embodied in Konoye's declaration regarding the "new order in East Asia," but if the "new order" is established it will hit the democracies and favor the dictators.

I wonder if the democracies will understand what is happening now and hasten ostentatious assistance to China to enable her to keep on fighting, at the same time placing embargoes of some kind upon Japan !

So much for the peace talk and the question of whether or not China intends to continue with her resistance.

A Narrow Escape

I will write a few words about the past few months. When fever overtook me in July and it looked as if the Hankow summer was going to put me in a hospital, as the fever did for six months a couple of years ago, I left by airplane for the higher and cooler altitude of Yunnan. I was too ill to do any writing, and I separated myself effectively from any mail. Two months elapsed without any improvement, and doctors sent me down to sea level. I went to Indo-China to revisit scenes with which I became familiar in 1905 (Russo-Japanese war) when I was at Camranh Bay with Rozdesvensky's fleet, later destroyed by the Japanese fleet at the battle of Tsushima. Incidentally, Camranh Bay is now being converted into France's Far Eastern Naval Base, in emulation of Singapore. There the main cause of my trouble was discovered, was treated, and quickly I began to recover.

Just about that time the Japanese made their first and only bombing raid upon Kunming, the capital of Yunnan. I got back there as quickly as I could. What for, I do not know.

That was about the most distant raid that the Japanese had so far attempted. It was not successful for them since they lost at least three big bombers in the vicinity of Kunming, and it was stated that at least one other had crashed on the mountains some distance away. That is what the leader of a mule caravan reported sometime later on his arrival at Kunming.

Whether or not the newspapers abroad now refrain from publishing accounts of the bombing of undefended towns, I do not know, but I seem to have an idea that not much is now said about these inhuman attacks upon non-combatant life and property. Raiding by the Japanese has never been modified, and, since they

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

- 19 -

have been able to use the airfields at Nanking and Wuhu, it has been going on more intensely than ever. But the bombers now range in regions far removed from observant foreigners, and where correspondents are not. I was able, later on, to have more than enough first-hand sight of the extent of the damage done to undefended towns by these Japanese bombers.

I flew from Hanoi on October 20 to Kunming, and from there for Hankow on October 22, planning to arrive about sunset, when Japanese raiders have generally gone back to their base. On this day, however, they must have been waiting for my plane to arrive, because when we were over Changteh we received a radio that several Japanese pursuits were in the air above Hankow. They were still there near sunset while we were delaying progress by cruising in wide circles southwest of the Wuhan cities. When sunset came we decided to go up-river and spend the night there. Before daylight on October 23 I was on the field to take off, but we did not leave till the break of dawn. That brought us to Hankow about 6.45 a.m., where the field appeared to be covered with blue fog. It rather intrigued me, since I had never before seen "blue fog", especially a type clinging so tenaciously to the ground. I casually observed that there were no people, no airplanes, and no motor cars on or near the field. We went down, and were feeling conspicuously lonely in the morning calm, when one of the field staff was seen to be coming toward us as fast as he could make a bicycle travel. He was frantically signalling something with his arms. Before he arrived, however, we smelt the "fog" and detected it to be smoke from exploded bombs. The bicycle rider was yelling at us to clear out as a raid was still on. By this time I could see smoke coming from freshly made bomb holes. I got my baggage out of the plane, and the machine took off at once for Chungking. A short while after I had left the field Japanese bombers reappeared and dropped further explosives on the place, doing no material damage.

I was later informed that seven Japanese planes had gone up-river after the first raid. To this day I cannot understand how they missed me, unless the mists hanging over the Yangtze shielded me. Had the Japanese encountered me that would surely have been the end, for they have a habit of shooting down any plane, armed or not, and for me to have been even forced down would have meant disaster since the whole country between Hankow and Ichang was under water with the usual floods.

Hankow and Canton

When I got into Hankow I found it completely changed. The evacuation of thousands of people, the crowding of thousands more into the ex foreign concessions, and the daily raids by Japanese bombers, made the erstwhile clean Bund look like a back alley of a poverty-stricken town. Refugees were camped there, men, women and children, their belongings scattered higgledy-piggledy everywhere. The Japanese forces were within gun-sound. Admiral Holt showed me, from his balcony, where Japanese planes were bombing Tiger Hill, down-river. He estimated that the Japanese troops could get into Hankow next day

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

- 20 -

since the Generalissimo had decided not to risk the destruction of the city by defending it.

The capitulation of Canton, which took place unexpectedly some days before, completely changed things. It compelled the Generalissimo to revise his plans, and he decided to close the book so far as Hankow was concerned and withdraw the troops to new lines. This saved Hankow from destruction by Japanese artillery and bombers, but it was a sad dislocation of the Chinese strategy. Had Canton held out the story today would certainly have been different, and, perhaps, we would still be in Hankow.

The tragedy of Canton was enacted before I got back to Hankow. Apparently General Yu Han-mou did not have the energy to fight, or did not want to fight. There were those who declared that he had bolted, or had been bought. He had not bolted, and, to speed matters up, the Generalissimo took the blame for the collapse upon his own shoulders. But, later on, when we were in Kwangtung, he relieved Yu Han-mou of his position, but not of his responsibility, and, also, removed Wu Te-chen from the governorship. Pai Chung-hsi was put in command, with Chang Fa-kwei, the Commander of the old "Ironsides", as in charge on the field. Yu Han-mou has a small command under Chang Fa-kwei. He has to try and redeem himself.

Canton's collapse meant withdrawal from Hankow, and, late on the night of October 24, we flew out, "we" being the Generalissimo and Madame Chiang and myself. At two o'clock the next morning we landed in Hunan province, and then began a tour of all the fronts which lasted until December 8, when we got to Chungking.

Air Raids Cause Widespread Havoc

In Hupeh, Hunan, Kiangsi, Kwangtung, and Kwangsi provinces we were constantly encountering bombing raids. We saw human agony everywhere, and wherever we went we were confronted with a poignant panorama of gaunt monuments to Mars in the form of towns and villages which had been completely blown up or burned by the raiders. Most of these towns had nothing to do with the war, contained no military objectives, and had nothing at all with which to defend themselves. But the quarry of the Japanese is people, whether the world wants to believe that or not, and throughout this vast region there are millions of people.

The Japanese report their various bombing expeditions, always adding that they have wiped out "military establishments". Recently they announced that they had dropped "tons of bombs on military establishments, destroying the towns so badly that they will not be able to recover". The broadcaster's own words. Similarly they talk with regard to the constant bombing of the habitations of the Chinese farmers and merchants in regions far removed from the fighting lines, but there are no "military establishments" to bomb in them. So the bombs drop on the busiest sections of the towns, and what ruination the

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

- 21 -

explosions of the bombs begin the supervening fires complete.

At Kweilin, when we were there early in December, the main streets were already marked with skeletons of shops and houses, but still another batch of raiders came, and dropped bombs which destroyed some 300 shops and houses in one of the few remaining whole sections of the commercial part of the city. There was a veritable holocaust. The mounting flames seemed voracious enough to destroy completely the remaining parts of the city. They were fortunately stopped, but since then the Japanese have been back twice, and, according to their accounts, did further great damage to the "military establishments," which is the terminology understood in Japan, and realized in China, to indicate the homes of the population. What is left of Kweilin now I do not know. Not much, if I can judge by what I last saw of that provincial capital and the ruins of other cities we passed through that the Japanese had previously done to desolation.

Kweilin was bombed some days after we left, and again on December 29. This raid seemed to be designed by the Japanese to put the quietus to Kweilin's life. Over 100 incendiary bombs constituted Japan's New Year gift which was reported to have been dropped upon the city's busiest remaining streets. The bombs started terrific conflagrations which razed to the ground 1,800 houses, and rendered homeless over 10,000 people.

That was the fifth raid upon Kweilin. In all, 2,500 houses have been so far destroyed. The bulk of the population must now be homeless. But Kweilin is fortunate in that it is built on the banks of a river threading through a unique limestone mountain formation. Grotesque individual hills of all manner of shapes which rise abruptly from the earth exist inside and outside of the city walls. They all have caves - small ones and large ones. I went with the Generalissimo and Madame Chiang through one which could hold up to 2,000 people. The authorities had stagings built at various places along the walls of the city to enable the populace to get to the caves when an air raid alarm sounded. As many of the people who could do so took advantage of these quick exits. Many of the caves have been provided with doors and windows, and families now permanently live there - a spelean society. Those caves will prove a Godsend to the homeless people now. But what of the thousands of cities that have been destroyed whose populations have no naturally provided troglodytical facilities? I answer that question later.

In Kwangtung province there were many such ruined towns and cities and villages, and there will be many more of them because the world does not seem to care to exert itself to stop the massacres and the ruin. Widespread destruction and death and poignant human suffering are being precipitated from the skies upon every place that looks prosperous or capable of holding many people. This is all in accordance, of course, with the declaration of the intentions of the Japanese to "beat China to her knees and break her spirit of resistance."

Refugees on Trek

What becomes of the people of all the bombed areas? Thousands of them

121

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

- 22 -

are blown to fragments, of course, and those who die, to tell the truth, are fortunate in the sudden death that overtakes them, for there are continual thousands being maimed and who live with their terrible wounds, while millions more are made destitute and have to move from the ruins of their homes, their shops, their little factories, or their big ones, and from their homesteads. They take what they can on their backs, or on barrows, or any wheeled vehicles that they can use, their surviving babies being carried in baskets or piled on top of salvaged household chattels. People in flight fill the highways, and they crown the mountain trails, climbing like ants westward and further westward, hoping to achieve immunity from raiders and find safety from the tortures of war.

In these western mountains, and they are real mountains, there is some relief at this time of the year owing to the low cloud formations which constantly blanket the earth. So thick is the cloud layer that not even a 16,000 foot peak sticks through. Many times we have climbed through and travelled for hours over 18,000 feet of cloud, and that is too thick for bombers. There is an old saying in Szechwan that if the sun shines during the months of winter the dogs bark at it in fright. The Szechwanese, and there are some 80,000,000 of them, pray to their gods that the dogs will have no temptation to bark while this war is on.

The Japanese have lost many planes in these wild cloud-covered mountains. So have the Chinese. Madame Chiang Kai-shek has just suffered a serious loss herself. The big Boeing plane which was presented to her, which was shipped from America to Australia, which the Australian Government refused permission to erect there, owing to some strange fear of Japan, and which was shipped to Hongkong after months of delay on Cockatoo Island, or some such place, in Sydney Harbor, has just crashed and been destroyed. Its pilot (an American named Johnston), a Russian mechanic named Tarantin - who was refused a visa by the Australian Government when it was desired to send him to Sydney to assist in erecting the plane - a Chinese wireless operator, and a Chinese mechanic were all killed. That plane was being flown to Yunnan. The last radio said that darkness was coming on, the cloud mass was impenetrable, the radio was not working, and the pilot was going to fly blind to try to edge down to earth. No news of the plane came for days. Then on December 30 the charred remains were found in the southern part of Yunnan province. The plane had crashed on a hillside and had burned. A tragic business, but all of us who fly in this region risk our lives every time we go up.

Into these cloudy western provinces of Kweichow, Szechwan, Yunnan, and Kansu, refugees are flocking by the thousands. Other elect to stay in the mountainous places of Shensi, Kiangsi, Hunan, Hupeh, Kwangsi, and Kwangtung provinces. Those who come to Kwangsi, Kweichow, Szechwan, and Yunnan, are, as a result of their migration, filling up empty spaces, and are constituting the foundation of what will certainly be a new China.

Highways and Railways

Hitherto all these provinces have been remote, inaccessible, except for

121

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

- 23 -

difficult trails over high ranges - which make all the region an ocean of mountains - or by way of the Yangtze river. The latter directly serves Szechwan river ports, but until recently, travellers wishing to go further rode in chairs or walked, and all cargo that could not be transferred to junks traversing smaller streams, was transported, sometime thousands of miles, on the backs of coolies, or mules, or diminutive ponies. I have seen strings of these little animals faithfully following their gaudily bedecked leaders, carrying salt from Szechwan, hundreds of miles from where they took on their loads. Coolies carry cargo right to Lhasa over the giant ranges whose crests are permanently hidden from sight by perpetual snow.

Now these western provinces are all connected by motor highways, and, as I have mentioned before, there is a new way out and in through Burma. In times of peace one can drive a car not only into all of the provinces of China, but through Indo-China, Siam, and Malaya to Singapore; to Rangoon, and through Kansu province and Sinkiang to any city in Europe and the British Isles, provided, of course, there are no political obstructions in the territory of the Soviet.

Railways, too, are gradually extending westward. Kweilin is now connected by an operating railway with the main line from Canton to Hankow, at Hengyang. This new line is laid with rails which were pulled up from the bed of the railway connecting Kiukiang, on the Yangtze, with Nanchang, to prevent them falling into the hands of the Japanese. From Hengyang another railway has been started toward Kweiyang in Kweichow province. The concrete piers for a bridge have already been erected in the river at Hengyang. Another railway is being built from the border of Indo-China at Langson to Nanning, in Kwangsi province. Whether it will materialize depends upon the ability of the Japanese to penetrate the region from the seaboard at Pakhoi. They want to cut these connections, and no doubt their probable landing at Pakhoi is designed to stop work on the line and cut the road, as well as to block the French line in Yunnan. The bed of the Langson-Nanning line is already laid, I am told. If a railway can, by some means, be pushed in from Burma (as it should be if the British shopkeeper has the stuff in him that made him famous) the whole of the western provinces will be opened up.

The highways are, however, going to be a tremendously important factor in opening up the natural resources of the provinces, especially the new road from Burma to Kunming (Yunnan) and the new link from the latter place to the Yangtze at Luchow. This will cut out the heavy grades on the existing route from Chingking to Kweiyang. With these means of transport available the measures that are under way to settle the refugees and employ them on the development of the natural resources will ensure a success that but a few years ago could neither have been expected nor achieved.

Untapped Resources

There are magnificent mineral and agricultural resources to be developed.

- 24 -

Yunnan has, as is well known, one of the world's largest tin deposits. It is rich in copper, iron and coal. In Szechwan, gold is in great abundance. The upper Yangtze has been known for centuries as the "River of Golden Sand." The great beds of detritus, brought down by the summer floods, are worked for gold as far down as the west of the Wind Box Gorge. Out in the great mountains forming part of the Himalayas which leap up from the foothills all along the western boundaries of Yunnan, Szechwan and Kansu, there are gold deposits which some day are destined to astonish the world. The lodes have never been touched. The placer deposits are always being worked with primitive appliances by the Chinese, and gold dust is a commodity sold and bought in the mountain townships. In the Muli Kingdom (altitude between 11,000 and 15,000 feet) west of Ningyuanfu, in south western Szechwan, gold is so plentiful that it can be washed in any stream. The Muli King pays all his "tips" in packets of gold dust. It is estimated that in the upper Yangtze there are 800 miles of placer deposits to be dredged, and elsewhere inestimable deposits. But there are many other minerals virgin in their remoteness. The western part of Kansu is also rich in gold, as is Sinkiang (Chinese Turkestan).

Yunnan is said to be able to grow mulberry leaves better than any of the well-known silk producing provinces near the coast, or in the world, for that matter, the experts say. The cocoons are said to be twice the size of the down-river variety. Szechwan is already a great silk producer. These prospects are being studied now, and already the Women's Organization, under Madame Chiang Kai-shek, has teachers out in the districts showing how silk production can be improved, and instructing the villagers to make the improvements.

The tung tree, from the nuts of which the famous wood-oil is crushed, flourishes abundantly everywhere out in the west. That region is the original home of the tree. Plantations are being improved and extended, and, with time, will be installed improved equipment for extracting the oil and enhancing its value.

Szechwan is famous for its lush agricultural production. It harvests four crops every year. Drought is almost unknown. Between Szechwan and Yunnan, in the west, are the vast potentialities of Sikong.

Sikong is a new province which is, in all respects, reminiscent of Canada. Its first provincial government was inaugurated only today (January 1, 1939) after three years of preparation. It has the highest capital city of any province in China - Kanting, formerly known as Tatsienlu, with an elevation of 12,400 feet. General Liu Wen-hao is the Governor. The province has an area of 182,510 square miles. It embraces the old Marches of Tibet, and was recently known as Chwanpien. It is bordered by Szechwan on the east, by Tibet on the west, by British Burma on the south, and by Kansu and Chinghai (Kokonor) on the north.

Sikong is generally high, and is particularly difficult in the west and north where are great barriers of perpetually snow-clad mountains. It is, however, possessed of immense rolling grass lands similar to the great wheat

021

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

- 25 -

and grazing regions of Canada. Cattle and wheat raising are destined, in time, to be developed on a large scale, but any great riches will come from its deposits of gold and various other minerals, which are said to be present in abundance. Timber is also plentiful. A railway from Burma through Yunnan running into or near to this region will make it, as a Chinese publication puts it, "a self-sustained reservoir of food and man-power for continued armed resistance." But such a railway will have to penetrate mountains like the Rockies. Now the direct approach is by motor road from Kiating or Chengtu (in Szechwan) through Yachow, to the foothills near Kanting. Over a year ago work was started on a motor road through the mountains to Kanting. Trade has, however, been going on for centuries, goods being carried on the backs of men and yaks. As for rivers, the province is highly honored, for it is the source of three great streams, which tear through its gorges and run a couple of thousand miles or more to the sea - the Yangtze (which cuts China in half), the Salween, and the Mekong, which both carve their way south-eastwards to the sea through Yunnan and Indo-China.

There is scope for almost startling production of all manner of requisites in all these western provinces of China. Indeed, economic sufficiency can be achieved provided that capital can be secured. As it is, work is already being begun to meet war needs and emergencies with the simple means available to the refugees who are streaming into the region, and to the inhabitants who have, till the past year or two, been almost isolated and content to work the soil for sustenance.

The refugees, who are finding their way into this great reservoir of human effort and future national greatness, have among them many artisans and craftsmen. Some have brought tools with them, and those who could not will benefit by the Government's great efforts to transport machinery and workshop equipment from the areas in the east threatened to be overwhelmed with destruction. How this has been done is a story both dramatic and romantic. It is a common sight to see on the highways streams of vehicles, from donkey carts to trucks, piled with machinery, steadily and laboriously trekking westward through the mountains, with thousands of men, women and children, mostly heavily laden, patiently trudging after them.

The pictures of the pioneer days of the old west of the United States are being re-acted here every day, though the covered wagons are now mostly trucks, of limping rickety mule and donkey carts, hand-trucks and barrows, or the none too sturdy backs of men and women themselves. Up the waters of the Yangtze river, steamers, and every type of junk, carried full cargoes of machinery from far down-river. From Hankow was taken the bulk of machinery that was portable, and Madame Chiang Kai-shek saw to it that 30,000 women and girl mill workers alone, to say nothing of thousands upon thousands of others, were transported to the west to save them from the fury, the bestiality, and the brutality of Japanese troops.

Stupendous Migration

Fear of assault and murder by Japanese frightened most of the non-combatants

121
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

- 26 -

out of all the invaded areas. This stupendous migration of millions is the most startling and significant commentary upon the declarations with which the Japanese flood the world that they are warring and laying waste in China in order to save the common man - the Chinese people. But the lust and blood with which the Japanese stained Nanking and other cities of the litteral provinces was observed and noted by foreign witnesses who proclaimed the horror to the world. Everywhere else that the Japanese make their way similar vicious crime is committed, but most of it is not reported to the world because there are no foreign witnesses of it to make the exposures.

The remarkable and outstanding feature of this great migration is the fortitude of the sufferers in their adversity. They live or they die, as the case may be, but they do not complain. The philosophy which they exhibit in the midst of crushing calamity approaches the sublime. We have seen, during the whole of the past 18 months, human suffering that is incredible. No one living in lands smiling with peace can possibly imagine the torture that is being borne by the helpless masses of China. In peaceful countries it is calamity to have one solitary house burn down and incinerate its occupants, but here in China in thousands of cities whole streets and blocks of houses and shops, densely inhabited, are, in one instant, suddenly blown to the sky in dust and flame by crashing, ear-splitting bombs. And, most of the time, many of the families are blown to eternity with all they own, while hundreds of corpses are strewn in the vicinity. Those who survive the terrific tumult, the showering debris and broken flesh, and the fires that supervene, see in place of their homes great piles of shattered brick, plaster, tiles, and, if fire did not devour everything, splintered timber, shattered furniture, and desolated personal possessions. Worse than that is the sight of dead and wounded relatives, mutilated or burned to cinders, and the sound of the groans of others pinned beneath the wreckage.

Yet, it is amazing to see that after the first shuddering shock is over the survivors are agitated into activity to rescue the injured, recover what they can of their possessions, and, if it is possible, erect shacks on the ruins, or start business on the pavement, if any pavement or anything with which to do business, is left.

It is this inherent faculty for enduring desperate suffering, this power of recuperation, that makes it impossible for Japan to subjugate or conquer China. Natural calamities, which have had a habit through the centuries of wiping out thousands, and hundreds of thousands, sometimes millions, of people in one fell swoop, have bred in the blood and the bone of the Chinese race those powers of survival that enable them quickly to subdue and overcome the effects of appalling catastrophies. These are the qualities which will enable them to triumph over the enormous and disastrous losses which the Japanese have deliberately inflicted upon them, and which will fortify survivors in their efforts to rebuild their nation upon a better and more enduring foundation.

New Life in the Far West

The beginnings of the rebuilding of China are proceeding as rapidly as is

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

- 27 -

possible in the west, while the war is still being waged in the north, south, east, and center of the country. Even in those regions where the wrath of war has left indelible marks, and the enemy menaces survivors with terror, reconstructional efforts are being made.

But in the west, around Kunming, in Yunnan, and Chungking and other places in Szechwan, new life is appearing. There is an amazing growth of factories - and other buildings which are for educational purposes. The march, or crawl, westwards of the machines has been accompanied by the intellectuals. Universities and cultural institutions are now appearing in places in the west where little of the kind existed a year ago.

Students, 400 of them, of the Nankai University of Tientsin (the first university to be deliberately destroyed by the Japanese) found their way to Changsha and walked all the way from there to Kunming - a forty-day tramp through endless mountains. Students of a military school also walked there all the way from Nanking, while boy and girl students in crowds, from other schools and colleges in other parts, have all walked westward. Hundreds went northwestward to Yunnan, in Shensi province, where they live in caves. But they are all going through fires that will burn out of them, it is hoped, the old-time foolishness, and temper them for sterner duties in the upbuilding of their country, in forging in the west a new order to sustain their ancient nation and enhance its prestige and its power.

Japan has been responsible for a new outlook in China - and that outlook is westward. Other modern empires have been built up by movements in the same direction. "Westward the course of empire takes its way," was written of one empire. In her own west China is destined to find the means for her rejuvenation, and time will tell the story.

Women's War Work

The resurgence of China is being fostered not only by the organizations controlled by men, but is becoming more and more a particular care of the women, who are being mobilized by Madame Chiang Kai-shek, under the aegis of the New Life Movement, for service both in the "occupied" areas and behind the lines. Early in the war Madame Chiang Kai-shek realized that the terror of the Japanese, and ignorance of the measures which should be taken in the circumstances, might so demoralize those left in the regions from which the Chinese forces from time to time withdrew that it was vital to have stimulating encouragement and instruction given to them.

The business of women helping in the winning of the war was taken up in earnest soon after the beginning of the invasion by the Japanese. Leading women were called together by Madame Chiang at Nanking, and, later on, in other cities. She outlined practical programs of action for them to take up. This involved teaching girls and women how to work and contribute support to the defence of the country both in the rear and in the regions that fell under the influence of the enemy. Classes were inaugurated, girls and women were trained

021

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

- 28 -

as instructors, and they, in time, set out, full of high spirit, to fulfill their tasks.

That spirit of resolute endeavour in the face of ever-present danger is best illustrated by the last words of one of three girls who were killed in a bombing raid in which they became involved in Hunan the day after they were sent on their way to work among the villages along a section of the Canton-Hankow railway. One girl who had been shockingly mutilated by a bomb that crashed through the roof, exploded, and killed outright two of her comrades and wounded three others, regained consciousness only to say with her last breath: "I have been trained to work, I have come to work, but before I could even start I have to die."

The survivors, instead of being paralysed with fright at the death and ruin about them, rescued their wounded comrades from the wreckage, found coffins for their dead ones, and took from themselves clothing to enshroud them. They then set to work to help others attend to the hundreds of people who had been wounded by the bombs, and collect from the debris the 200 who had been killed. Next night, when Madame Chiang visited the survivors, they were busy teaching and helping villagers to make bandages and warm clothing, working late into the night by the feeble light of vegetable oil lamps. Always all these women who are working before and behind the Chinese lines are running the risk of sudden death - or worse, if they are near or in the territory occupied by the Japanese.

The mobilization of women has been done under several headings for different types of endeavour, the most important being War Area Service, Rescue of Refugee Orphan Children, Promotion of Village Industries, and War Relief Work. Those trained for War Area Service are high school and college girls, who, in groups of ten and fifteen, work in the villages far behind the lines teaching the peasant women what to do if they become involved in the war, how to render first-aid, how to change the dressings of wounded soldiers falling back from the lines, and how to help them on their way. Also they are taught the necessity of providing constant supplies of hot tea and rice for soldiers going forward, and how to do the numerous things that have to be done to contribute to the easy progress of the army through the country.

The rescue of war orphans from near the front is one of the most important tasks. This is done by the War Refugee Association, of which Madame Chiang Kai-shek is the director as well as an indefatigable worker. So far, over 14,000 children have been rescued from the war zones and transported back to the western provinces. Here they are put in Refugee Homes for Children, provided with proper supervision, and given vocational education and training to fit them to be useful citizens capable of assisting in national rehabilitation. Orphan ages in many parts of other provinces also house and train children collected from various war areas. Funds for this purpose come not only from the people of China but from every democratic country in the world. How necessary that help is might be gauged by the increasing intensity and widening of the areas of Japanese bombing raids. Each raid produces additional numbers of orphans and destitute.

- 29 -

Village Industries Promoted

The promotion of village industries is designed to increase production so as to assist in war-time economy. The shutting off of foreign imports and the destruction of factories by the Japanese has caused a dearth of supplies which can be partly filled, for the time being, by the people themselves. But they have to be taught. With the aid of improved hand and foot operated machinery the women trained by the New Life Headquarters are now instructing country women and girls how, among other things, to weave cotton textiles and spin wool yarn. From the commonly grown ramie fibre (China grass) they are not only making cloth, but are producing absorbent cotton that is proving highly satisfactory for use in army hospitals.

With the old hand machine a woman could spin only eight ounces of yarn in a day, but with the new one developed and provided by the New Life Movement, a woman can produce 15 pounds in a day. More and more cotton is being grown, and new areas are under experimental cultivation. Large supplies of cotton come into Szechwan from Paochi in Shensi. Ramie fibre is produced in abundance throughout these provinces. Wool comes down from the north, and from Sikong.

The activities of these women seem likely to develop important changes in the China silk trade. They are transplanting the silk industry from the coastal provinces to Szechwan and Yunnan where they will soon be in a position to supply some of the demand for silk. As the women have secured the services of one of their sex who has specialized for years in silk production - one who spent several years in the silk industry in Japan, and has experience of production elsewhere - there is every reason to believe that there will be considerable improvement in China silk in course of time. Filatures with modern equipment are sure to be set up in these regions in the near future.

All these industrial activities in the villages have a double purpose: (1) the organization of the village workers into co-operatives to improve their earnings and their livelihood; and (2) the meeting of the demand for supplies at home and export abroad. The outlet overseas will be by the new road to Burma if freight costs are attractive.

It is understood, and it is borne in mind, that handicraft products can never compete with those that are machine-made, but for the duration of the war the women of China are organizing themselves to meet the requirements of the hour. When the time comes for peace and further industrial development they will be all the more ready to play an intelligent part in the modernization of the country, and in paying attention to the welfare and the economic standards of the workers.

One of Madame Chiang Kai-shek's chief aims in organizing the women is to establish a condition guaranteeing to the working women better living conditions and better pay and treatment. The war has given her a chance that she could not miss to begin the institution of necessary reforms. One of her triumphs was to make the directors of a large cotton mill at Wuchang, opposite to Hankow,

1211

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

- 30 -

not only submit to having the machinery removed from their big mill but also pay \$350,000 for the removal and care of the thousands of workers. For a year other Government organizations had failed to move this mill or the directors. The latter were making too much profit to be ready to close down and seemed willing to let the Japanese take the mill as a going concern when they should enter. Madame Chiang shamed them by visiting the mill at 5 a.m. in the morning, as the night shift was coming off duty, and exposing the conditions under which the women worked.

Creation of Industrial Co-operatives

The discovery, soon after the war began, that the Japanese were conducting systematized and extensive marauding - shipping all valuables to Japan (especially machinery and scrap-iron) and destroying everything that might be used by Chinese survivors at the end of the war to sustain their livelihood - caused the wholesale dismantling and removal, or burial, of small industrial plants. Yes, unhappy owners, in certain places, in their dilemma, having no means of transport, and not knowing what to do or where to go, buried their machinery, and did it without coffins or shrouds of any kind, earth being the winding-sheet. What was transported away will, in time, be re-erected in western or central provinces.

A significant development for war-time purposes which is making marked progress and which is certain to have incalculable influence upon the future industrialization of China, is the establishment of Chinese Industrial Co-operatives. The idea was born in Shanghai out of the confusion that marked the deliberate break-up by the Japanese of the numerous factories and workshops which had their being in that metropolis, and the consequent dissipation of the great army of artisans who formed the skilled workers in these destroyed industries. A group of foreigners and Chinese developed the idea. Connected with this group was Mr. Rewi Alley, a New Zealander, who was employed by the Shanghai Council as its Inspector of Factories. He knew all of the factory owners, and was intimately connected with the leading artisans and had ideas of how to collect and use them. Mr. Alley and the scheme were taken under the wing of the Government, but I will let him tell the story of the scheme, for he happened to arrive in Chungking yesterday, dropped in on me just as I had reached this part of this lengthy letter, and I forthwith compelled him to sit down and write a summary of the scheme and the first steps of its application.

What Mr Alley adds will make this letter longer, but I must first tell you how he came to be associated with the active implementation of the scheme by the Chinese Government. A copy of the proposition the group in Shanghai prepared was sent to the British Ambassador, Sir Archibald Clark Kerr, who, in turn, forwarded it to Madame Chiang Kai-shek. When Madame Chiang read it she saw that it followed a line of development once conceived for the Peoples Economic Reconstruction Movement, which was launched in 1936 in Kweichow, by the Generalissimo, but which later got held up for a variety of reasons.

Madame Chiang literally jumped at the scheme, placed it personally before

- 31 -

Dr. H. H. Kung, President of the Executive Yuan and Minister of Finance, and strongly urged its adoption. When Dr. Kung read the scheme he also favored it. He has long been actively interested in the building up of small industries, and consequently needed no urging to sponsor the idea. The services of Mr. Alley were promptly sought through the British Ambassador - who was telegraphed to - and Mr. Alley was in Hankow a day or so afterwards. The Shanghai Municipal Council released him - but begrudgingly. Here is the story as it is told by Mr. Alley himself :

The idea. During the early months of the year 1938 a group of Chinese and foreign residents in Shanghai met together. They had watched the terrible havoc wrought amongst China's industry, 70 per cent. of which was concentrated in their area. They met to discuss what could be done to reconstruct that which had been destroyed.

It was decided to form a Shanghai Promotion Committee for Industrial Co-operatives in China, it being realized that the only way industry could be made to operate all over the country would be in the form of small industrial co-operatives.

The Committee was headed by the gifted Shanghai banker, Hsu Shing-loh. Mr. Hsu was later to meet his death at the hands of the Japanese who shot down the airplane in which he was travelling.

First stages. A plan was drawn up and was submitted to the Central Government. It was accepted, and so in the month of August the Chinese Industrial Co-operatives - fathered by Dr. H. H. Kung, President of the Executive Yuan, and with the kindly encouragement and interest of Madame Chiang Kai-shek - came into being.

A headquarters was set up in Hankow, and Liu Kwang-pei came to act as General Secretary. Mr. Liu, an American returned student, came with experience as a banker, an administrator, an engineer, and a soldier. Rewi Alley, formerly Chief Factory Inspector in the Shanghai Municipal Council, was invited to assist.

Northwest headquarters. A headquarters was set up on the south Shensi-Kansu border to which Lu Kwang-mien, a returned student from Edinburgh, and formerly with the Hopei Co-operatives, went as organizer. Wu Chu-fei, of the Shanghai Power Company and of the Ford Motor Company's works in the United States, went as engineer.

Machines were sent from Hankow and the Lunghai railway line, and within the next three months some 80 small industries were set up in the area. One village was lit by co-operative electric light. A co-operative printing works published the first newspaper in another little hsien (county) city. Alcohol, weaving, spinning, knitting, tanning, mining, and transport co-operatives were soon set up. Unemployed workers found relief in constructive work after their enforced idleness. Wheels that had been silent were made to turn again. Empty

122

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

- 32 -

shelves in village stores were stocked once more. New hope entered into the lives of many as they gathered together, sometimes only in caves, in the loess hillsides to reconstruct their old lives by work.

The fall of Hankow, and the consequent dislocation of communications, made for various difficulties in these headquarters, but due to the fine spirit that prevailed these were surmounted, and work continued even in the face of financial difficulty.

It was found that in the areas worked there was ample raw material available, wealth that had lain hidden in the past and only awaited the energy of man to exploit. Refugees from many provinces came. One group of a small Christian sect came in its entirety, and with energy proceeded to take advantage of the technical and organizational advice provided by the Chinese Industrial Co-operatives, and to use the capital lent with great advantage.

Arrangements have been made here to set up a school for training industrial co-operative workers in what they are expected to do. Other arrangements are being made to take over a testing laboratory for a fixed period to assist the co-operatives with the best scientific information available.

Depots were set up in the country as well as one in the city of Sian. Efforts are being made to make for improvement in production - newer methods, better organization.

New depots are being planned in Kansu and Shensi provinces from which it is hoped that a network of small industry will radiate in 1939.

Southwest headquarters. Shortly before the fall of Hankow, Lem Foh-yu came from the Shanghai Power Company to head the Technical Section of the Chinese Industrial Co-operatives. Mr. Lem had had long experience in the United States as a mechanical engineer, and is highly qualified in every way for this position. He also took over the responsibility for organizing these headquarters in west Hunan, and soon had gathered around him a band of co-operators and technicians who proceeded to make a survey of the industrial possibilities and to organize workers into production units for the manufacture of consumer goods needed locally.

The visitor to one little city would perhaps have been surprised to find that several of the small industries in the locality carried the red triangular "Co-operative Work" sign, and that workers he met on the street would be proudly wearing the same badge in miniature on their coats.

Outside a pen-maker's establishment he would find a little crowd looking with interest at a poster showing an intellectual wielding a great pen in his hands sweeping the Japanese off the map of China. Then at a leather goods maker's shop he would see more people staring at another poster depicting a Chinese soldier wearing a great leather boot, stamping out Japanese Imperialism.

1 2 2
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

- 33 -

Shoe making for the army was found to be needed here. Dry-cell making, leather tanning, towel weaving, hosiery knitting, and printing co-operatives were all successful. Work on medical supplies for hospital use was commenced.

The events at Changsha greatly affected the initial work at these headquarters, but in spite of the temporary paralyzing of communications, work went on as usual. Some of the societies found difficulties in distribution, so society members simply went out into villages and sold their products themselves, finding that their ultimate profit was greater than they usually had been getting.

At the present time industries are being moved from threatened areas to safer ones, and plans are being made to place depots in provinces near by.

Experiments are being made in these headquarters to improve the multiple manual spinning machines, and when successful to manufacture these.

A new winder to wind from hanks to warper's bobbins has been introduced, and a 50 per cent. time saving has been effected. A warping machine has been introduced to take the place of the old frame, and about 60 per cent. time saving has thus been effected.

Other efforts are being made to speed up production so that rural industry will be able to stand solidly on its feet under any circumstances.

Plans for the immediate investment of some \$300,000 in small industry have been made here which should do much to alleviate the distress caused by war, and to maintain the morale of the people.

This headquarters hopes shortly to extend its work into the Kwangsi and Kweichow provinces.

Southeast headquarters. Following the establishment of the southwest headquarters a communication was received from the Shanghai-Hongkong committee offering \$200,000 capital for use in these headquarters. The offer was accepted and a representative was sent to Hongkong to arrange for this and to establish a headquarters in the southeast. This was done before the fall of Canton city, but work was delayed due to the original staff having contracted dengue fever, epidemic at the time in the chosen locality. After a number of other obstacles had been surmounted, work was started and representatives sent to excavate machines which had been buried in threatened areas, buy them, and transport them to safer quarters to be used in a first machine and founding co-operative with which it is hoped smaller machines can be constructed for use in other centers.

It was found that there was no shortage of raw materials. Technical workers and equipment in this area are difficult to obtain in the first instance. Plans have been made to remedy this deficiency. There are all kinds of mineral products available, and a good market for produced goods. A tannery

- 34 -

and leather goods co-operative was the first to be organized here. Others in the process of organization at the moment include a \$30,000 machine shop, spinning and weaving for refugees, a printing and a cigarette making co-operative for crippled soldiers, sugar refining, boat building, and a food preserves co-operative.

There are possibilities for small mining ventures, for there are many old mines in this area - copper, silver, lead, gold etc., which were once worked and which could again be opened and worked by simple processes which would provide sustenance for the workers and some raw material.

Then, too, there are excellent opportunities for small cement, glass, pottery, and chemical co-operatives here. Facilities for old-time river transportation in this area are especially good. There are good chances for paper and alcohol co-operatives. Promotion work, essential before organizing is done, is being ably assisted by the Rural Welfare Service, headed by Mr. Chang Fu-liang, well known for his work in the Kiangsi countryside.

These headquarters hope to be able to assist branches in Anhwei, Chekiang, Kiangsi, Fukien, and Kwangtung.

Already work has been financed behind the enemy lines, and it is hoped that such work will be extended so that communities in those areas will be made self-supporting and not be forced to buy enemy goods.

Central headquarters. General headquarters was moved from Hankow in October. It first went to Wanhshien, but on the arrival of K.P. Liu in Chungking, was moved to that city. This headquarters will act as National Headquarters, and, at the same time, as headquarters for the Hupeh Szechwan-Sikong-Yunnan districts. Preparations are now made to commence work, and a start can be expected in the New Year. Raw materials and demand are here in plenty. It is hoped that in these headquarters something may be done toward assisting in next winter's textile requirements - especially for the soldiers who give their all for us.

Then, too, some of the millions of refugees who have migrated to the west will find in co-operative industry new life - creative life - in a new way.

Finance. Funds used by the Chinese Industrial Co-operatives are in three kinds, capital funds, promotion funds, and special funds. Capital is lent out to groups which have been organized at 6 per cent. for short term, and 8 per cent. for long term, loans.

Promotion funds are those officially provided for the payment of staff, travel and general headquarter maintenance.

Special funds are those which have been donated and are used for removal of essential workers, machinery, etc., which cannot be considered a charge on the co-operative, as well as those expenses which come outside the budgeted

122

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

- 35 -

promotional funds. These funds are also sometimes used as straight non-interest bearing loans to workers, and also form a fund which can be borrowed from by the regional headquarters should official promotion funds, by some break-down in communications, not be available at the required time.

It is of interest to know that in many of the areas work, in the past, could not be started unless interest ranging from 18 to 30 per cent. was paid.

Phillipine Overseas Chinese have been very helpful in giving to this special fund, after they had had its use explained by a member of the Shanghai-Hongkong Promotional Committee.

The International Alliance of Trade Unions in Paris also gave a very useful sum which was of great assistance in the early stages.

Other private donors have also assisted, such amounts being used for special cases - an existing group has its machines shattered by a bomb, it must move elsewhere. Another needs some help in travel; there is some promotion printing to be done, and so on.

Organization. Efforts have been made to procure staff for organization work who are experienced in the co-operative field. Members of this section of the work of the Chinese Industrial Co-operatives have to deal with the workers in the field. They have to be men of sympathy and tact. They have to travel under very adverse circumstances in dangerous war-time conditions. They must know something of industry, and be able to learn as they go. They must become missionaries of the idea of self-help. There have already come to headquarters many stories of devotion and courage exercised by these organizers. The Chinese Industrial Co-operatives look forward to the time when the engineer and the co-operator together will bring to rural China something of the fuller and better life it deserves.

Procedure in organizing local co-operative societies. (1) Registration of unemployed craftsmen. (2) Selection of individuals based upon health, experience, and character. (3) Grouping according to crafts such as weavers, shoe-makers, etc. (4) Investigation of the business to be organized for a selected group as to raw material supply, market for finished goods, availability of equipment, production cost and profit. (5) Selection of organizing committee. (6) Formal organization exercise. (7) Registration of co-operative society in hsien government. (8) Signing of contract. (9) Money loaned to co-operative societies is deposited in bank and any withdrawal requires the signatures of the headquarters' co-operator and accountant. Sound business principles are always strictly followed in the organization of co-operatives, and money is carefully loaned out and safely guarded.

Supervision of co-operative societies. Co-operative societies are carefully supervised in order to develop self-imposed discipline and committee system of management within each society. They are taught how to conduct business meetings and how to keep books. They are also taught to sing

122

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

- 36 -

patriotic songs. They all feel now it is their duty to take part in this war of resistance.

The technical staff. An excellent example has been set by the Chief and Assistant Chief of the Technical Section, both of whom left good positions, their families, and all the comforts of Shanghai to come to the interior and face all the difficulties that present themselves in war-time in any constructive effort.

The crying need is for men who will sacrifice and who have the ability to do things that make that sacrifice worth-while. Action, not theory; practical engineering ability coupled with initiative and drive.

The Chinese Industrial Co-operatives have been fortunate indeed to have been able to induce many such to throw in their lot with this movement.

The future. The Chinese Industrial Co-operatives hope that by the end of 1939 it will have been able to construct and connect up a chain of small industry that will reach from Inner Mongolia to the Eastern Sea. It expects that in this year it will be able very materially to assist in the supply of essentials and of consumer goods; to translate slogans into action; to put many idle hands to work; to give employment to at least some who crave for it; to supply technical assistance for existing small enterprises that need it, and to organize them into units that can stand the stress of war; to organize refugee and crippled soldier labor when possible; to provide new sources for raw materials, and to assist simpler transport. The obstacles in front of a realization of this plan are tremendous. But with the support of earnest minds at home and abroad, the backing of a Government determined in its resistance, and with the devotion of its staff of engineers, co-operators, and technicians, the Chinese Industrial Co-operatives still have every chance of fulfilling the role it has assigned itself.

This is the end of Mr. Alley's present story, but it is only the beginning of the new movement.

Kweichow's Potentialities

In connection with the development of the western provinces, which I have emphasized without much reference to Kweichow province, Mr. Alley says that this province, poor as it is, is full of potentialities for industrial enterprises. There are all kinds of mines. A recent exhibition of native products in Kweiyang showed that good handicrafts were very popular among the people, including the aborigines. The kinds of paper produced in Tuyun and Longtai are just as fine as can be expected. But the scale is very small because of lack of capital. Cotton goods are the dearest there. A movement for growing cotton has been commenced by the provincial authorities and it is expected that this province will produce enough cotton for its own consumption in a year or two. Hand spinning and weaving will soon be in fashion there. Other plans for industrializing Kweichow have also been considered, but so far little has been done. It is again a question of capital. The Chinese Industrial

1225

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

- 37 -

Co-operatives have been invited to go to help, and it is thought necessary to set up an office in Kweiyang, the capital of the province. Some wood oil is produced in Kweichow. It was learned in Kweiyang that wood oil could be shipped out, via Kunming, at a profit. The price is about \$30.00 at Kweiyang, \$60.00 at Kunming (all Chinese National Currency), and H.K. \$48.00 at Hongkong.

Today (New Year's Day) the Ministry of Finance issued measures to foster the trade of the western provinces. Exporters of peanuts, sesame seeds, timber, bamboo, almonds, eggs and egg products, hair nets, cotton, tobacco, and straw hats were exempted from selling the resultant foreign exchange to the Government; and another order cancelled export duty on wood oil, bristles, hides, skins, tea, minerals, gallnuts, herbs, wool, silks, hemp and ramie fibre, intestines and feathers. All these are products of the provinces of the west.

Chinese Reactions to Democratic Inaction

So far, I have not emphasized the reactions of the Chinese to the attitude of the Democracies toward their difficult plight of the past 18 months. While Chinese leaders have been definitely disappointed at the failure of the League of Nations to implement its resolutions, and have been concerned at the failure of Great Britain, America and France, as great Democracies, to do something practical to uphold treaties and restrain the inhuman activities of Japan, they understand that lack of armaments to back up decisions to act, has been the principal restraining factor.

Nevertheless, the Chinese find themselves unable to understand why it is that none of the Powers who are menaced by and suffering the brunt of totalitarian abuse and expansions, has moved to effect a combination of such Powers with the object, if nothing else, of restraining the Japanese from acquiring such materials as iron and steel, or pig-iron and scrap-iron, from which they fashion the bombs that wreak such ruthless and inhuman devastation in China.

The Chinese feel that humanitarian impulses should be sufficient to prompt such a step, and common decency should, in itself, be enough to influence Democracies not to stain their hands with profits made from the spilled blood and wrecked homes of hundreds of thousands, indeed millions, of helpless Chinese.

What the Chinese see is the great Democracies expressing sympathy with China while they are taking these profits, and, at the same time, are inactively witnessing the deliberate undoing of all their vested interests and trade in China, as well as the undermining of their influence and prestige.

At least, the Chinese think, the Democracies might have taken their Ambassadors from Tokyo just to indicate to Japan that she was not a nice enough nation to be considered as an equal.

Consolation comes to the Chinese, however, from the efforts which sections of the people of the Democracies make to prevent shipments of weapons and material going to Japan, and from the financial contributions democratic people

0225

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

- 38 -

make to the funds for the relief of the suffering of their millions. That is a gratifying action for which they are profoundly appreciative. Yet it does not compensate for the failure of the Governments of the Democracies to stand together to stop Japan continuing with her murderous follies and inhuman crimes.

The Chinese are of the opinion that if the Democracies would help China with supplies of equipment and munitions to cripple Japan they would, at the same time, destroy the menace of the Dictators, both in Europe and in the Republics of South America, which the Lima Conference revealed was seriously worrying the United States.

China herself has already crippled Japan. Only today comes the announcement over the Daventry broadcast that the Government of Japan is not only adding to the weight of the burden of the people another £290,000,000 in the form of national bonds "to meet the cost of the China war," but is considering increasing taxation by another £11,000,000. The Government of Japan has also had to "warn the people not to expect a rapid reduction of taxation even after peace has been secured on Japan's terms."

Despite her disappointment about Democratic inertia China is fighting with all her might. She will go on fighting, and it is encouraging to her, after 18 months of it, to see that both Great Britain and America are marking the birth of this new year by speaking more freely and significantly. Both now seem to be showing signs of resenting in some practical form or other the impertinences and the truculence and the destructiveness of Japan. Had that been done long ago, it is thought here, there would have been a great saving of money on armaments, and a complete dislocation of the axis that seems to be heading for more and more trouble as time goes on.

The credit advances by America to China, and those promised by Great Britain, had a very heartening effect, and gave the Chinese reason to hope.

The Chinese newspapers expressed themselves as full of confidence in the outcome of 1939. This year, they feel, will mark a turning point in Chinese history. China has "laid an unshakeable foundation through the sufferings and privations which she has been called upon to undergo," and has already proved that "the superior arms of the Japanese could not overcome the tensile Chinese spiritual strength, which will be the source of the power for a general Chinese counter-offensive and a turn-about from defeat to victory." At the beginning of 1937, one paper points out, "Japan was riding on the crest of the wave of military victories and was expecting China to surrender. But the conclusion of the year finds Japan at the crossroads not knowing where to turn after paying a high price in the form of 600,000 casualties, and nearly Yen 10,000,000,000 on military expenditure. On the contrary the morale of the Chinese army has never been higher."

The note which the United States sent to Japan as a New Year present is read by the Chinese as definite indication that Washington has made up its mind to give Japan pause. It was stern enough to shake Japan in the old days, and

122

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

- 39 -

may do something now, but the Japanese are a peculiar people and believe that they really have conquered and hold more than half of China, and will soon bring the Central Government to heel. So they may not be so upset about America's denunciation of their schemes to tie Asia up for the so-called "Asiatics" under the domination and direction of Japan. I wonder if the Japanese contemplate embracing the Polynesians in their "Asia."

Military Situation on New Year's Day

Regarding the military situation, one of the Chinese newspapers wrote that "militarily the Chinese seemed to have failed outwardly and geographically. But factually the Chinese spirit is becoming more unbendable, and the Chinese strategy is improving as the days roll by. Contrasted with this the Japanese are finding themselves deeper and deeper in the Chinese quagmire, while China has advanced from the stage of "prolonged resistance" to that of "counter-offensive."

"Politically," the paper adds, "the opening of the Emergency Kuomintang Congress, the inauguration of the People's Political Council, the Generalissimo's rebuttal of Premier Konoye's statement of December 22 and his open message to the Chinese people after the fall of Canton and the withdrawal from Wuhan, have pointed the way to armed resistance and national reconstruction. They have strengthened national unity and augmented the nation's will to resist to the last, and have demonstrated to the Chinese people and the world the impossibility of a compromise for peace with Japan and the reasons why ultimate victory for China is absolutely possible."

"Economically and financially, public confidence in the Chinese legal tender has been further heightened as a result of the enforcement of the foreign exchange and foreign trade control. At the same time, the execution of the 'Armed Resistance and National Reconstruction Program' has been facilitated by the successful conclusion of the Anglo-American credit loans. Meanwhile, the economic development of the Southwest has been carried out at an accelerated pace."

Military headquarters today report the situation on both fronts in Central and South China as remaining unchanged, but indicate that the Japanese are busy with a definite drive to cross the Yellow river out of Shansi into Shensi. The objective is, of course, the line of communication for supplies from Russia via Sinkiang. Two columns are conducting this drive along parallel routes, with a third column operating in another direction. All are being engaged by Chinese forces.

A military observer says that the present lull on the two fronts mentioned does not, by any means, indicate that the Japanese intend to stop where they are. On the contrary there is reason to believe that they are making preparations to resume their military advances in the south along the West river on the one hand, and up the railway line from Canton on the other, and down the railway from Yochow on the Yangtze.

1228

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

- 40 -

The Japanese are expected to meet with difficulties in the latter adventure. There is low water in the Tunting Lake, and the country is very mountainous. In addition, the railway has been thoroughly destroyed by the Chinese. Strong Chinese mobile units are in the region harassing the invaders. Heavy reinforcements are being brought in by the Japanese to aid in the execution of the advance when the time comes. Probably, too, they may attempt a further advance up the Yangtze river. They have, I am told, "thousands" of shallow draft power boats. I fancy these are primarily due to the determination to capture the whole length of the railway from Canton to Peiping, and the boats will be used on the river from the Yangtze to Changsha. The railway has been destroyed and the roadway is kept in a state of impassability by mobile units of Chinese. The Japanese are apparently moving large forces up the Yangtze, for they have had 800 steamers plying on the stream during recent weeks.

Unless the Japanese take the whole of the Canton-Hankow-Peiping railway they cannot claim any sort of victory, and cannot even pretend to be in a position to control or administer any province in China. So far, the Japanese troops have found it impossible to take any of the country between the Yangtze and Changsha, and they have to take it all before they can start "marching as far as Tibet," as one of the boasting generals said they would do. Well, it is colder near Tibet than it is in Hokkaido, in Japan, and they do not like that country, even for occasional military manoeuvres.

Pai Chung-hsi, who is, as I have mentioned, now in command of the forces for the defence of Kwangtung and Kwangsi, has just reported that although the Japanese are sitting tight round about Canton - digging in for defence against the Chinese forces slowly closing in on them - they are preparing for a move against the railway northwards through Kwangtung, and also an advance into Kwangsi. General Pai thinks they are aiming at Nanning by way of the West river to cut the Chinese supply lines from Kwanchow and Indo-China. As he is a native of Kwangsi he ought to know what he is talking about when he says that the people of his province will all resist. He has divided the province into sections, and all able-bodied men have long been trained to look after themselves and their localities. Now, the General says, he is having a number of oaths prepared for the people of Kwangsi to take voluntarily, such as "I swear not to be a traitor," "I swear not to buy Japanese goods," etc. Unless the Japanese tackle Kwangsi with heavy units they are not going to have an easy time of it. But they are not having that anywhere except when they walked into Canton from Bias Bay. Curiously the Japanese are parading that unresisted march as a "great victory" which "surprised the world." They mean their valor caused the surprise.

The longer this war goes on the clearer it is becoming that the Japanese "invincibility" was a myth worked up in the imagination of the Japanese themselves. They have not even learned how to use modern implements, and German advisers long ago stigmatized them as knowing nothing about soldiering. If their navy is as bad as their army has turned out to be what will happen to it if a British or American fleet falls foul of it one of these days? Reports are that the navy of Japan is a real wash-out.

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

- 41 -

But whatever the military plans of the Japanese are much speculation has been aroused by the recent movement of some six divisions out of China to, it is reported, Manchuria. No one seems to know, however, whether or not these were being replaced, for the Peiping-Hankow railway was closed to traffic for six days and what went on the observers at Peiping were not allowed to see. Foreign military experts think transfers were going on.

Chinese guerillas have just derailed two Japanese military trains north of Paotingfu and one on the Tientsin-Pukow railway, and caused serious losses according to reports, all the cars having been reported as destroyed. It is interesting to note that the guerillas have informed the Chinese public that they may use the railways, as the guerillas were confining their attention solely to military trains.

As I have mentioned above, guerilla activities are being intensified, from Kwangtung in the south, to Hopei in the north. The Eighth Route Army is claimed by the Japanese to have been dispersed. If so, then their ghosts seem to be thorns in the Japanese side.

This reminds me to mention that Japanese propaganda has not changed since the beginning of this invasion. They never report losses, always have victories, and even their victories they exaggerate out of all recognition. If foreigners abroad have to estimate from Japanese reports the nature of the situation they must be puzzled to understand how it is that the Japanese army is still floundering about in the middle of China, with a Chinese army in being to oppose it. Japanese reports added up would account for the complete annihilation of several Chinese armies. Yet, Chinese are reported fighting near Hangchow and Shanghai, outside the walls of Nanking, throughout all the invaded provinces from Canton to the Great Wall, and constantly doing damage along all the railway lines and roads.

If the Japanese are accomplishing the annihilation of the Chinese as effectively as they proclaim, why are they making so little progress in getting out of the so-called "conquered" country, and still demanding so much money from their own people in order to stay in it? The simple truth is, of course, that 18 months after they started their invasion they are in a worse position and condition than when they began. The Japanese have to keep fighting and the Chinese are determined that they are not going to stop until victory comes to them some way or other.

Wang Ching-wei's Expulsion

The Wang Ching-wei bolt from Chungking into the arms of the Italian and Japanese talkers of peace has brought a swift sequel in the shape of Wang's ignominious expulsion from the party. On New Year's Day there was much going and coming among the members of the Standing Committee of the Central Executive Committee of the Kuomintang Party as a result of Wang's statement. Eventually they decided in meeting assembled to expel him for life and deprive him of all his posts.

123

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

- 42 -

Wang was condemned for "the desertion of the important post entrusted to him; for betrayal of public confidence placed in him during this critical period of the war of resistance, and for issuing a statement in Hongkong on December 29 suing for peace with Japan on the basis of Premier Konoye's declaration".

His conduct was, the decision said, "tantamount to conniving with the enemy and seeking, in effect, to undermine the foundation of the States". The decision recalled that "China had suffered such precedents in the Sung and Ming dynasties, the fall of which had not been caused by the demoralization of the army or the submission of the people but by the intrigues of a handful of court officials".

"As long as the people remain unyielding in action and unswerving in faith the final victory will logically be China's", says the decision. And it "emphatically declares that the national policy shall be based on General Chiang Kai-shek's speech of December 26" (summarized above).

Following the expulsion of Wang Ching-wei, the Government issued an order for the arrest of "all traitors", who are to be permanently outlawed. This is directed at those followers of Wang who may deem it wise or necessary to adopt, or pretend to adopt, his policy.

The Chinese newspapers are unmercifully flaying Wang. That was to be expected of the papers at the present capital, but elsewhere, telegraph reports state, they are also strongly against him, particularly those in Shanghai. They say, variously, "his deviation from the revolutionary cause will not affect the outcome of the war"; "it will help to strengthen, rather than weaken, the cause"; "he has made his funeral oration so far as his political life is concerned"; "his punishment will enhance Party discipline". Papers refer to his "stupidity", to his "abhorrent action"; others describe him as a "Japanese tool", as a "piece of rotten meat", and "undesirable horse". The Huamei Morning Post, Shanghai, says "Wang is out of his mind". The Standard describes him as "a worse traitor than Chin Kwei, who betrayed the Sung Dynasty, or than Wu San-Kwei" - whose memory is detested by all Chinese - "who betrayed the Ming Dynasty. He is worse even than Wang Keh-min, and Liang Hung-chih", who are the respective heads of the present Peiping and Nanking puppet "governments".

"Foreign friends of China", said one paper, "may rest assured that China will never surrender to Japan and become her slave." The Hsin Min Pao says: "People at home and abroad will know that Wang's actions and opinions do not represent those of the Government but are entirely his own."

All of the newspapers are screaming for continuance of the war of resistance. So, at this dawn of the new year, China determines to fight on.

123

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

- 43 -

Will the Democracies Help ?

To save their interests from complete ruination the Democratic Powers should make up their minds to help China. Customs figures just issued show that as a result of the Japanese blockade and invasion foreign trade slumped by \$400,000,000 during the first seven months of 1938, as compared with the same seven months of 1937. From January to July, 1937, before hostilities started, the total foreign trade showed in Customs revenues at \$1,301,795,830, but for the same seven months in 1938 the figures were \$911,015,317. The heavy blow came during the four months of 1937 after hostilities started. In the same months of 1938 trade had picked up. Compared with 1937 foreign trade during the eleven months of 1938 (December returns are not yet available) was reduced by a total of \$164,943,926. Imports fell by \$84,924,516 and exports by \$80,006,410. This return enables the Ministry of Finance to report that: "As a result of the National Government's efforts to increase export trade and to restrict the supply of foreign exchange only to legitimate import trade, the balance of trade has turned in favour of China since June of 1938, the months of June to September each registering an excess of exports over imports. This fact should be noted by critics of the Government's policy of exchange control. For the eleven month period under comparison, the total excess of imports was reduced from \$117,750,125 in 1927 to \$112,814,019 in 1938. This must be regarded as a healthy feature of China's war economy."

Of course, after the effective closure of the connections between Hongkong and Canton a further slump took place, and will be shown when the figures are out. A filip to trade may be given by the use of the Burma road, if it proves practicable and immune to interruption by tribesmen, but that remains to be seen.

In the meantime, the Japanese are going ahead expanding their radius of destruction of both Chinese and foreign trade, impoverishing the people of China, destroying their purchasing power.

When the trading nations stop the sale of materials to Japan, or impose upon her financial embargoes of some sort, maybe they will curtail the power for harm that the Japanese have wielded unchecked for so long to everyone's disadvantage.

The News Chronicle, London, has just sent a telegram to Madame Chiang Kai-shek inviting her to send a message expressing her hopes for 1939. These are the hopes that Madame Chiang is wiring :

"I hope that 1939 will witness the emergence of a victorious China from the unjust war of aggression that is bleeding her to death.

"I hope that the courage of our soldiers, the spirit of resistance of our people, and the whole-hearted support

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

- 44 -

of our overseas countrymen and friends will endure until we prove that right is greater than might.

"I hope that the clouds of war which are now overshadowing Europe as a direct consequence of the unchecked employment of force for the conquest of Manchuria, in defiance of sacred international instruments, will be peacefully and wisely dissipated.

"I hope that 1939 will see all the Democracies of the world solidly united and able, by the sheer weight of that unity, to prevent the arbitrary abridgment of those principles of international justice, freedom and equality, which so profoundly influence the happiness and security of mankind."

With best regards, and compliments of the season,

Sincerely,

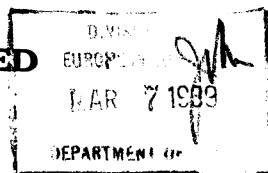
(Sgd) W.H. Donald.

023

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

(13 cont)

TELEGRAM RECEIVED



EE

REB

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

FROM

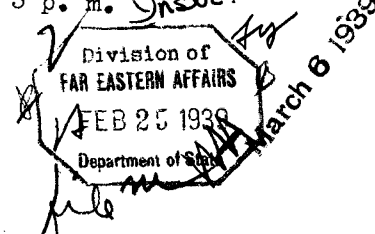
HONG KONG VIA NARS

Dated February 24, 1939

Rec'd 3 p. m.

Instr. to Paris

Secretary of State
 Washington.



64, February 24, 9 a. m.

The following message is a pharaphrase of a memorandum received February 23 from the American Consul at Saigon under cover of a letter dated February 14: on the 12th of February I met Dr. Joyeux the Chief of the Service d' Hygiene for the Municipality of Hanoi, who had only recently come from Tonkin. (The following notation was made by Consul Flood: I went on board the FELIX ROUSSEL to pay my respects to Dr. Joyeux who was sailing for France and while there I met Mr. Nouailhetas, the Secretary General of the Government of Indo-China, I am informed orally by the Foreign Office that Mr. Nouailhetas will not return to French Indo-China).

Dr. Joyeux informed me that ^{according to information} he had received through official channels Japan had consulted Great Britain and France with respect to the occupation of Hainan and that both Governments had accepted it.

Dr.

793.94/14747

F/FG

RECEIVED
 MAR 28 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

REB

2-#64, From Hong Kong, Feb. 24, 1947

Dr. Joyeux added that Japan had discussed with Great Britain and France the question of Japanese military action against Nanning and the despatch of Japanese troops as far as the border of Indo-China. As a result of these conversations Mr. Fontaine, the engineer who is charged with the construction of the Dongdang-Nanning Railway, has brought his European staff back to French Indo-China.

From the same source it was learned that activities are on foot at Hanoi jointly between the Government and financial circles to support the puppet Government in China and at the same time to withdraw support from Chiang Kai Shek.

It is believed that Dr. Joyeux obtained some of this information from Mr. Nouailhetas the second ranking official in the French Indo-China Government.

Repeated to Chungking, Yunnanfu.

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

(CONFIDENTIAL)

PARAPHRASE

A telegram (no. 64) of February 24, 1938, from the American Consul General at Hong Kong reads substantially as follows:

On February 23 the Consul General received from the Consul at Saigon a letter under date of February 14 enclosing a memorandum the substance of which is as follows:

On February 12 Flood (Consul at Saigon) boarded the S.S. Felix Roussel to pay his respects to the head of the Hygiene Service of the Hanoi Municipality (Dr. Joyeux) who had recently come from Tonkin and was sailing for France. The Consul was told by Dr. Joyeux that he had received information through official channels to the effect that both the British and French Governments had accepted the occupation of Hainan Island, after having been consulted in regard thereto by Japan. It was also learned from Dr. Joyeux that joint activities between financial circles and the Government are on foot at Hanoi with a view to withdrawing support from Chiang Kai-shek and at the same time lending support to the Chinese puppet government. Dr. Joyeux further stated that, as a result of Japanese discussions with France and Great Britain in regard to the question of despatching Japanese troops as far as the Indochina border and of military action by Japan against Nanning, the engineer

in

023F

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

-2-

in charge of Dongdang-Manning Railway construction,
M. Fontaine, has withdrawn his European staff to Indo-
china.

While on board the Felix Roussel the Consul also
met Mr. Nouailhetes, the Secretary-General of the Gov-
ernment of Indochina and the second ranking official of
this Government, and it is believed that some of the
above information was obtained by Dr. Joyeux from this
official. Mr. Nouailhetas will not return to Indochina,
according to oral advice which the Consul obtained from
the Foreign Office.

793.94/14747

FE:Penfield:HES
3-2

FE

0235

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

March 8 1939

No. 1351

The Honorable

William C. Bullitt,
American Ambassador,
Paris.

Sir:

793.94/14747

There is enclosed for the information of the Embassy a paraphrase of a telegram no. 64 of February 24, 9 a.m., received from the American Consulate General in Hong Kong reporting rumored developments with regard to the situation in the Far East. Although the Department is not inclined to attach undue weight or give serious consideration to the report, the Department is forwarding the paraphrase of the telegram to the Embassy for its information. Should the Embassy deem it advisable to make discreet inquiries in regard to the rumored developments, it will appreciate, of course, that reference to the persons mentioned in the telegram or to the American Consul at Saigon as a source of the information would be inadvisable.

Very truly yours,

For the Secretary of State:

Sumner Welles

CR 507
MAR 3 1939

Enclosure:

Paraphrase of telegram
no. 64 of February 24
from Hong Kong.

FE:JCV:HJN
3/2/39

FE



PA/

ad
Eu

F/EG

1238

DECLASSIFIED: E.O. 11652, 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 EUROPEAN AFFAIRS

Division of
 FAR EASTERN AFFAIRS

February 28, 1939.

FEB 28 1939

Department of State
 Although this is of course a question primarily of interest to FE, we are not inclined to believe that the matter should be brought to the attention of Paris in exactly this form. The information does not appear to be well substantiated; FE does not appear to attach much importance to it; if sent by telegram in its present form, Bullitt might gather the impression that we do attach importance to it, and, consequently, might use it otherwise than if he knew the details.

Accordingly, if FE desires that the matter be brought to the attention of Paris, it is suggested that this might better be accomplished by an ordinary mail instruction.

EU:Clark



PM

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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 27, 1939

Hong Kong's telegram no. 64, February 24, 9 a.m., reports information received from the American Consul at Saigon. Officers in FE have given the telegram careful thought and are of the opinion that the information contained therein is not worthy of serious consideration. With regard to the report of activities at Hanoi to support the puppet government of China and to withdraw support from Chiang Kai-shek, it is felt that, although there probably are officials and business men in Hanoi who might be favorably inclined towards an adjustment along the lines mentioned, special weight need not be given to their opinions. It is not unlikely that there are a number of officials and business men of various nationalities in the Far East who are advocates of according some degree or form of recognition to Japan's program in China, but evidence is lacking that their views are being favorably entertained by their respective Foreign Offices at this time.

M. D. Gustafson

FE:Vincent:HJN

0240

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

PREPARING OFFICE
 WILL INDICATE WHETHER
 Collect
 ✓ Charge Department
 OR
 Charge to
 \$

TELEGRAM SENT

Department of State

TO BE TRANSMITTED
 ✓ CONFIDENTIAL CODE ✓
 NONCONFIDENTIAL CODE
 PARTAIR
 PLAIN

Washington,

"Br"

February 27, 1939

AMEMBASSY,

PARIS (France).

The Department has received a telegram from the Far East reporting, as a matter of hearsay, that activities are on foot at Hanoi jointly between the Government of French Indochina and financial circles to support the puppet government in China and at the same time to withdraw support from Chiang Kai-shek; that Japan had consulted Great Britain and France with regard to the occupation of Hainan and both Governments had accepted it; and that the French engineer who is charged with the construction of the Dong Dang-Nanning Railway has brought his European staff back to French Indochina following discussions by Japan with Great Britain and France of the question of Japanese military action against Nanning.

FE:CV:EJL

FE

PA/H

Eu

Enciphered by _____

Sent by operator _____ M., _____, 19____

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

(CONFIDENTIAL)

P A R A P H R A S E

A telegram (no. 64) of February 24, 1939, from the American Consul General at Hong Kong reads substantially as follows:

On February 23 the Consul General received from the Consul at Saigon a letter under date of February 14 enclosing a memorandum the substance of which is as follows:

On February 12 Flood (Consul at Saigon) boarded the S.S. Felix Roussel to pay his respects to the head of the Hygiene Service of the Hanoi Municipality (Dr. Joyeux) who had recently come from Tonkin and was sailing for France. The Consul was told by Dr. Joyeux that he had received information through official channels to the effect that both the British and French Governments had accepted the occupation of Hainan Island, after having been consulted in regard thereto by Japan. It was also learned from Dr. Joyeux that joint activities between financial circles and the Government are on foot at Hanoi with a view to withdrawing support from Chiang Kai-shek and at the same time lending support to the Chinese puppet government. Dr. Joyeux further stated that, as a result of Japanese discussions with France and Great Britain in regard to the question of despatching Japanese troops as far as the Indochina border and of military action by Japan against Nanning, the engineer

in

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-

in charge of Dongdang-Nanning Railway construction,
M. Fontaine, has withdrawn his European staff to Indo-
china.

While on board the Felix Roussel the Consul also
met Mr. Nouailhetas, the Secretary-General of the Gov-
ernment of Indochina and the second ranking official of
this Government, and it is believed that some of the
above information was obtained by Dr. Joyeux from this
official. Mr. Nouailhetas will not return to Indochina,
according to oral advice which the Consul obtained from
the Foreign Office.

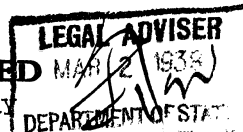
793.94/14747

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



TELEGRAM RECEIVED

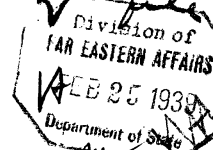


GRAY
Canton via N. R.

FROM

Dated February 25, 1939

Rec'd 2 a.m.



Secretary of State,
Washington.

32, February 25, 10 a.m.

In notification dated February 23 to the senior consul at Canton the Japanese Consul General stated "that military operations are now under way in the area in and around Hoihow, Hainan Island, and therefore it is requested that not only merchant vessels but warships of third powers refrain from entering the port of Hoihow for some time.

If, however, there arises any special necessity for a warship to enter the said port, at least 48 hours previous notice is requested to be given to the appropriate Japanese authorities for agreement, notifying them the proposed date, and time of arrival at and sailing from the said port together with any such special reasons for doing so.

I have further the honor to state that the third power warships entering the port of Hoihow must do so at their own risks".

Repeated to Chungking, Peiping, Hong Kong.

Hong Kong please inform Comsopat.

DDM:WWC

MYERS

793.94/14748

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

793.94

DOCUMENT FILE

NOTE

SEE 890.00/130 FOR Memorandum
 State Department
 Far Eastern Division
 FROM Salisbury (Salisbury) DATED Feb 9, 1939
 TO NAME 1-1127 220

REGARDING: Situation in Far East: Sino-Japanese relations.
 Developments for the past week, in summary.

FRG.

793.94 / 14749

14749

DECLASSIFIED: E.O. 11652, 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 890.00/131 FOR Memorandum
State Department
Far Eastern Division
FROM (Salisbury) DATED Feb 16, 1939
TO NAME 1-1127 ***

REGARDING: Situation in Far East: Sino-Japanese relations.
Developments for past week, in summary.

FRG.

793.94 / 14750

14750

DECLASSIFIED: E.O. 11652, 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 893.00/14337 FOR despatch # 124

FROM China (Chungking) (Pack) DATED Jan. 24, 1939
 TO NAME 1-1127 ***

REGARDING:

Sino-Japanese hostilities:

Encloses copy of article entitled
 "Kung Reviews Work of Sino War-time
 Government", published in the CHINA
 FORTNIGHTLY issued Jan. 16, 1939,
 showing economic achievements of the
 Chinese during --.

28

793.94 / 14751

14751

324

DECLASSIFIED: E.O. 11652, 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 762.00/253 Confidential File FOR #200

FROM Belgium (Davies) DATED Feb. 11, 1939

7797 NAME 1-1127

REGARDING:

Suggestions made by Germany to Japan in letter written by member of the German Foreign Office, in pursuing the war and fight against communism in China. Cites amount of help Germany is able to extend.

ml

793.94 / 14752

CONFIDENTIAL FILE

14752

DECLASSIFIED: E.O. 11652, 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 893.00/14336 FOR tel # 129, 3 p.m.

FROM China (Chungking) (Peck) DATED Feb. 23, 1939
 TO NAME 1-1127 ***

Sino-Japanese relations.

REGARDING: Military activities in Southeastern Shansi
 where the Chinese Communists are now in
 control and the area garrisoned by the
 Eighth Route Army under Chu Teh and Peng
 Teh Hui: Comments made by an American after
 spending five months in Liaohsien, concerning-.

795.94/ 14753

14753-

1241
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 1, 1939

Mr. Thomas of CI has informed me that the local office of the United Press Association has addressed an inquiry to its representative at Manila for information in regard to the origin of the report contained in the United Press news broadcast of February 22 at Manila to the effect that there was a likelihood of concerted action against French Indochina by Japan and Siam.



FE:Salisbury:HJN

DECLASSIFIED: E.O. 11652, 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

FROM GRAY

BANGKOK

Dated February 28, 1939

Received 7:15 a.m.

Secretary of State

Washington

4, February 28, 2 p.m.

United Press news broadcast from Manila February 26, evening, reported likelihood of concerted action on Indo-China by Japan from Hainan and Siam across western border. Foreign Minister here deplores this report as false because Siam contemplates no military action against Indo-China. Can origin of this report be traced?

NEVILLE

DDM:ANC

NOV 27 1939

FILED

793.94/14754

F/FG

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

Division of
FAR EASTERN AFFAIRS
FEB 28 1939
Department of State

Return to

April 11

793.94
note
7519.94

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

April 11 1939

No. 63

The Honorable

Edwin L. Neville,
 American Minister,
 Bangkok.

Sir:

With reference to your telegram no. 4, February 28, 2 p.m., reporting an allegation made on February 26 in a United Press news broadcast from Manila to the effect that there was likelihood of concerted action against French Indochina by Japan and Siam and inquiring whether the origin of the report could be traced, the Department learns that the local office of the United Press has addressed an inquiry to its representative at Manila in an attempt to obtain the desired information. The Department expects that the reply to that inquiry will be made available to the Department, at which time a further communication on the subject under reference will be addressed to you.

Very truly yours,

For the Secretary of State:

A. A. BERLE, JR.

793.94/14754

FE:LES:REK
 4/4/39

Jim
 FE
 4/4/39

12

F/EG

025

DECLASSIFIED: E.O. 11652, 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 893.00/14338 FOR Tel #135, 10am

FROM China (Chungking) (Peck) DATED Feb. 25, 1939
TO NAME 1-1127 ...

REGARDING: Chinese resistance of Japan: Third Session of People's
Political Council unanimously adopted a resolution
calling for continued resistance. The resolution
stated that the government should issue orders to the
entire people and army to obey the points as emphasized
by Generalissimo Chiang in his speech of December 26th.

wb

793.94/ 14755

14755-

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

FE

JR

PLAIN

Chungking via N. R.

Dated February 25, 1939

Rec'd 2:35 p.m.

Secretary of State,
Washington.

135, February 25, 10 a.m.

/14334

Reference Embassy's 122, February 21, noon.

The third session of the People's Political Council adjourned February twenty-one after having adopted eighty-two resolutions at the nine meetings held. Delegates attending totalled one hundred thirty-three. General Chiang Kai Shek in capacity of Chairman delivered a final address of which the following is the gist of the text as published: He began with a reference to the spirit of unity and harmony that prevailed throughout the session declaring that the detailed reports presented by the various officials had gained the confidence of the Council while the proposals introduced by Council delegates were of material aid to the Government. He went on to say that with such cooperation he was confident "we are equal to the responsibility, heavy though it be, of consummating the task of national resistance and reconstruction". The remainder of this address was devoted largely to a dissertation on democracy. He emphasized the desirability of developing a democracy in China based on the principles expounded

mk
793.94

843.00/14338

-2- #135, February 25, 10 a.m., from Chungking via N. R.

expounded by Sun Yat Sen and declared that after the emergency of the National Government the first aim was to achieve national unity following which a period of tutelage was to be instituted. But foreign aggression had retarded the realization of the program, he said, adding "We are now starting all over again. Strictly speaking we are again in the midst of a revolution. We must concentrate our efforts in overthrowing the aggressors, eradicate the traitors and puppets and destroy all reactionary forces". He asserted that the work of tutelage for democracy must be carried on simultaneously with the military program of resistance but so as not to interfere with the latter. With the recovery of all lost territory he promised his listeners "we will begin building up a real democratic government, one which fits in with the ideals of our late party leader."

With regard to the question of continued resistance a joint resolution was unanimously adopted at the meeting held on February nineteen voting support of Chiang Kai Shek's speech of December twenty-sixth repudiating the Konoye statement of December twenty-two and the Council resolved on the following: "That the basic national policy should be supported to the end; that the entire people

DECLASSIFIED: E.O. 11652, 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- #135, February 25, 10 a.m., from Chungking via N. R.

people should firmly support the government in the execution of the second period resistance policy; that the government should issue orders to the entire people and army to obey the points as emphasized by Generalissimo Chiang in his speech of December twenty-sixth so that their confidence may be further enhanced, their action coordinated, and one and all in unison and unceasingly carry on the struggle for the restoration of national territorial and administrative integrity and completing the task of national resistance and reconstruction."

At the meetings held from February nineteen to twenty-one a number of additional resolutions was adopted in regard to internal affairs, economic and financial affairs and educational and cultural affairs. Resolutions concerning internal affairs dealt chiefly with improvement of local government administration and the administration of relief to war refugees. Resolutions touching on economic matters urged acceleration of reconstruction in the Southwest Amalgamation of all economic research organs institution more effective measures for control of commodity prices and formulation of an economic policy for the occupied areas. Resolutions of a cultural nature called for the compilation of a history of the war for the increase of educational appropriations

125
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton O. Gustafson NARS, Date 12-18-75

-4- #135, February 25, 10 a.m., from Chungking via N. R.

appropriations for the promotion of education in the
occupied areas.

Repeated to Peiping.

PECK

KLP

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

NEW YORK TIMES -- January 16, 1939.

Text of Great Britain's Note to Japan

LONDON, Jan. 15 (AP) — Following is the text of the British note to Japan, delivered yesterday in Tokyo by the British Ambassador, Sir Robert Craigie, to Foreign Minister Hachiro Arata.

I am instructed by His Majesty's Principal Secretary of State for Foreign Affairs to inform Your Excellency of the uncertainty and grave anxiety in which His Majesty's Government in the United Kingdom have been left by study of Japan's new policy in Far Eastern affairs as set out in recent statements by the late Prime Minister and other Japanese statesmen.

I am to refer more particularly to Prince Konoye's statements of Nov. 3 and Dec. 22, and to the communication made by Your Excellency to foreign press correspondents Dec. 19. This uncertainty has not been removed by conversations on this subject which I have had with Your Excellency from time to time.

II

From these pronouncements and from other official information issued in Japan His Majesty's Government infer that it is the intention of the Japanese Government to establish a tripartite combination or bloc composed of Japan, China and Manchuria in which supreme authority will be vested in Japan and subordinate roles will be allotted to China and Manchuria.

So far as China is concerned, it is understood that the Japanese Government is to exercise control, at least for some time, through the Asia Development Council in Tokyo, which is charged with the formulation and execution of policy connected with political, economic and cultural affairs in China.

Your Excellency's own communication to the press indicates that the tripartite combination is to form a single economic unit and economic activities of other powers are to be subjected to restrictions dictated by requirements of national defense and economic security of the proposed bloc.

III

According to Prince Konoye, the hostilities in China are to continue until the present Chinese Government has been crushed or will consent to enter the proposed combination on Japanese terms.

China, he said, will be required to conclude with Japan an anti-Comintern agreement and Japanese troops are to be stationed at specified points in Chinese territory for an indefinite period, presumably to insure that Japanese conditions for the suspension of hostilities are observed.

Moreover, his Excellency stated that the Inner Mongolian region must be designated as a special

anti-Communist area. It is not clear what is meant by this, but in the absence of fuller information it can only be assumed that Inner Mongolia is to be subjected to an even greater degree of Japanese military control than other parts of China.

IV

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, indefinite maintenance in China of considerable Japanese garrisons and the virtual detachment from China of the territory of Inner Mongolia.

V

For their part, His Majesty's Government desire to make it clear that they are not prepared to accept or to recognize 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 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 realized.

The Chinese people were maintaining and developing for themselves an effective and stable government and the principle of equal opportunity for commerce and industry of all nations was bringing prosperity to China and to her international trade, including that with Japan.

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.

VI

While, however, His Majesty's Government maintain that modification cannot be effected unilaterally and must be by negotiation between all the signatories, they do not contend that treaties are eternal.

If, therefore, the Japanese Government have any constructive suggestions to make regarding modification of any of the multilateral agreements relating to China, His Majesty's Government for their part will be ready to consider them. In the meantime, His Majesty's Government reserve all their rights under existing treaties.

VII

I am further instructed to refer to that portion of Prince Konoye's

statement of Dec. 22 which states that Japan is prepared to give consideration to the abolition of extraterritoriality and rendition of foreign concessions and settlements in China.

This inducement to China to accept Japan's demands would appear to entail but little sacrifice on the part of the Japanese, for, if they succeed in their plans for control of the country, they will have no further need for extraterritoriality or concessions.

On the other hand, His Majesty's Government would recall that they undertook and nearly completed negotiations with the Chinese Government in 1931 for abrogation of British extraterritorial rights.

The negotiations were suspended by the Chinese Government in consequence of disturbed conditions following the seizure of Manchuria by Japanese forces in that year, but His Majesty's Government have always been ready to resume negotiations at a suitable time and are prepared to discuss this and other similar questions with a fully independent Chinese Government when peace has been restored.

VIII

In conclusion I am to state that if, as is possible, His Majesty's Government have in any way misinterpreted the intentions of the Japanese Government, they feel that it is because of the ambiguity with which those intentions have so far been expressed and they would welcome more precise and detailed exposition of the Japanese conditions for terminating hostilities and of the Japanese policy toward China.

DOR
for
mnh

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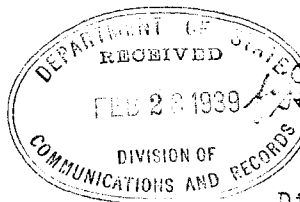
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Department of State letter, August 10, 1972
By Milton O. Gustafson NARS, Date 12-18-75



Department of State
Division of Current Information

No. 32

MEMORANDUM OF THE PRESS CONFERENCE, FRIDAY, FEBRUARY 17, 1939

SINO-JAPANESE - HAINAN ISLAND

793.9
At the press conference this afternoon, Under Secretary Welles stated that after information was received that the Island of Hainan had been occupied by the Japanese Government, the American Ambassador in Tokyo was instructed to obtain an interview with the Japanese Minister for Foreign Affairs and make a statement along the following general lines: The Government of the United States has not failed to note the statements which the Japanese Government had made from time to time to the effect that Japan has no territorial ambitions in China; that with reference to the recent announcement of the Japanese occupation of the Island of Hainan, attention was invited to the fact that there were substantial American missionary and educational interests and a number of American residents, chiefly missionary, on the island and that the American Government maintains no consular representation there; that in view of these circumstances the Government of the United States would be glad to be informed of the intention of the Japanese Government in connection with the occupation.

The Under Secretary continued saying that Ambassador Grew had now reported that in his conversation with the Minister for Foreign Affairs, Mr. Arita repeated the former statement of the Japanese Government that Japan has no territorial ambitions in China and that the occupation of the Island would not go beyond military necessity.

The Under Secretary informed the correspondents that a report had been received from the Commander of the South China Patrol on board the American destroyer which had visited the Island of Hainan, the details of which would be furnished to the correspondents later. (The correspondents were later informed that the Commander of the South China Patrol had reported that the situation at Hoihow and Kiungchow was quiet, all third power nationals in the two places being well and their properties intact and that the American Presbyterian Mission was caring for approximately 3,000 refugees. He said that at the American Presbyterian Mission at Kachek there were seven American adults and eight children and at the Mission in Nodou there are five American adults and three children, but as these places were in the interior, communications have been interrupted.)

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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 762.94/287 FOR Tel. #101, 9 p.m.

FROM Japan (Grew) DATED Feb. 20, 1939
TO NAME 1-1127 ...

REGARDING: As long as Great Britain continued to recognize Chiang Kai Shek as head of the Chinese National Government it was not clear how Great Britain could at present assist in promoting peace seeing that state of Japanese public opinion rendered negotiations with Chiang impossible. Statement of Japanese Foreign Minister that-

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

*Copy sent to
Secretary*

TELEGRAM RECEIVED

FROM

PLAIN

Swatow via *W. K.*

Dated March 1, 1939

Rec'd 10:32 a.m.

JR

AMEMBASSY CHUNGKING

AMEMBASSY PEIPING

Secretary of State,
Washington.

2, March 1, 5 p.m.

During prolonged scouting flight over Swatow single
Japanese naval bomber plane dropped four bombs vicinity
railway station causing slight damage but no casualties.

YOUNG

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

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

March 13, 1939.

Hankow's despatch No. 554 of January 27 encloses, as but partially complete, a list of 71 Japanese firms known to be establishing themselves at Hankow. It states that these firms include many activities, banking, insurance, transportation, manufacturing (textiles and vegetable oils) and merchandising (especially foodstuffs); that the Japanese have made no progress in reviving manufacturing at Hankow; that the allegations of Japanese that they only bring in military supplies are disproved by the quantities of goods on sale and other evidence; that the clandestine commerce cannot be estimated as it is subject to no customs examination.

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

No. 554.



AMERICAN CONSULATE GENERAL

Hankow, January 27, 1939

Subject: Establishment of Japanese business
or representations at Hankow.

The Honorable

The Secretary of State,
Washington.

NOT TO BE PUBLISHED AS
OFFICIAL INFORMATION.

Sir:

RECORDING DESK

As being indicative of the scope of Japanese

commercial activity at Hankow since the occupation
of this city by Japanese armed forces on October 26,
1938, I have the honor to enclose a list showing the
names, addresses and the nature of the business of
Japanese firms known by this Consulate General to
be establishing themselves now at Hankow.

This list is believed to include all the larger
Japanese firms but is not exhaustive as regards the
smaller traders, whose places of business are not
always easily recognizable as such. It will be noted
from the list that these firms are interested in an
extremely wide field of business activity, including
banking, insurance, transportation, manufacturing
(cotton yarn and piece goods, vegetable oils), and
the import, export, wholesale and retail of merchandise.

The activity of Japanese merchants is most notice-
able in the sales of foodstuffs, fairly large quantities
of canned goods, fresh fruits (especially apples and
mandarin oranges), beer, and sugar having been widely
distributed

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

-2-

distributed in Hankow for sale by small storekeepers and street hawkers.

In the field of manufacturing no progress is yet known to have been made by the Japanese at Hankow. The two manufacturing firms mentioned on the enclosed list, owing to the damage done to their plants since the outbreak of hostilities in 1937, are unable to resume production. It has been rumored that Japanese business interests approached at least one Chinese flour mill owner with the object of getting him to resume manufacturing, the Japanese to assure him of wheat (of local origin) and coal for operating the factory. The Chinese mill owner is understood to have rejected the overture and the exact nature of the proposition put forward by the Japanese has never been made public.

Despite the fact that all Japanese vessels operating on the Yangtze River are allegedly in the service of the Japanese Government and their presence is explained as one of military necessity for the transportation of military supplies and personnel, it has been noted that in approved cases tickets are sold to Chinese (but not to occidentals) who wish to obtain transportation on the Yangtze river and that numerous Japanese of both sexes with an apparent civilian status travel on Japanese river vessels plying the Yangtze River between Hankow and Shanghai. Occidental business interests have not been successful in arranging for the shipment of cargo into or out of Hankow by the Nisshin Kisen Kaisha river steamer service. It has been heard, however,

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

-3-

however, that shipment by small independent Japanese vessels might be arranged sub rosa if an occidental firm were willing to pay enough and to take the risks involved, but no instances of any shipments having actually been made in this manner have come to this office's attention.

The Chinese Maritime Customs Service at Hankow has had no control over shipping activity and the movement of cargo into or out of Hankow since the occupation of the city by the Japanese in October. Allegedly cargo arrivals and departures at Hankow are military or naval supplies and stores. That this is not a true statement of actual conditions is easily ascertainable from the appearance of quantities of newly imported Japanese goods in local stores for sale to the general public. The actual extent of this clandestine commerce is impossible to gauge as it is apparently entirely under Japanese military or naval control, with no shipments subject to customs examination at Hankow.

Respectfully yours,


P. R. Josselyn
American Consul General

Enclosure:

List of Japanese Firms at Hankow.

Original and 4 copies to Department;
Copy to Embassy, Peiping;
Copy to Embassy, Chungking;
Copy to Consulate General, Shanghai;
Copy to Commercial Attaché, Shanghai.

610.

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

List of Japanese Firms at Hankow.

Name in English & Chinese	Address in English	Kind of Business
*The Bank of Taiwan (台灣銀行)	Kiangnan Road, S.A.D. No. 3.	Bank
Hankow Bank, Ltd. (漢口銀行)	National Industrial Bank of China Bldg., Kiangnan Road, S.A.D. No. 3.	Bank
*Yokohama Specie Bank, Ltd. (橫濱正金銀行)	The Bund, S.A.D. No. 3.	Bank
Eikwa & Co. (瀛華洋行)	17 Poyang Road, S.A.D. No. 3.	General Importers
#Foo Chang & Co. (福昌洋行)	Chung Shan Road, Native City.	General Importers
*Hibino & Co. (日比野洋行)	Ming Sun Road, Native City.	Plumbing Supplies, Porcelain Ware.
Horri & Co. (騰窩堂)	Peking Road, S.A.D. No. 3.	Printing Supplies
*C. Itoh & Co. (伊藤洋行)	17 Poyang Road, S.A.D. No. 3.	Cotton Yarn and Cloth Importers
*Mitsubishi Shoji Kaisha, Ltd. (三菱公司)	Kiangnan Road, S.A.D. No. 3.	Importers and Exporters
*Mitsui Bussan Kaisha, Ltd. (三井洋行)	Kiangnan Road, S.A.D. No. 3.	Importers and
Mitzuta (水田漆行)	4 Chung Foo Lee, Faucheng Road, S.A.D. No. 3.	Crude Lacquer Exporters
Jintan Co. (仁丹公司)	Kiangnan Road, S.A.D. No. 3.	Medicine Importers
C. Mori (森洋行)	Chung Shan Road, Native City.	Jewellers and Watch-makers
Nagakiyo Photo Studio (永清照相館)	Chung Shan Road, Native City.	Photo Co.
Nikka Seiyu Kabushiki Kaisha (Japan China Oil Refining Co.) (日華製油株式會社)	Yokohama Specie Bank Bldg., S.A.D. No. 3.	Vegetable Oil Refiners and Merchants
*Nippon Menkwa Kabushiki Kaisha (Japanese Cotton Trading Co., Ltd.) (日信洋行)	Yokohama Specie Bank Bldg., S.A.D. No. 3.	Cotton, Cotton Yarn, Cloth and Sundry Goods

*Large firms.

#English name is not known; characters romanized according to
 Chinese pronunciation.

-2-

Name in English & Chinese	Address in English	Kind of Business
*Nippon Yusen Kaisha (日本郵船會社)	Union Bldg., S.A.D. No. 3.	Japan Mail Steamship Co.
*Nisshin Kisen Kaisha (日清郵船公司)	The Bund, S.A.D. No. 3.	Steamship Co.
*Okura & Co. (Trading) Ltd. (大倉洋行)	Kiangnan Road, S.A.D. No. 3.	Importers and Exporters
Saitoh & Co. (齋藤洋行)	E-Wo Road, S.A.D. No. 3.	Kobe Marine Trans- port & Fire Insu- rance Co.
Samaya & Co. (誠記洋行)	Ming Sun Road, Native City.	General Importers and Exporters
Shikiyen Nursery Co. (四季園花園)	Chung Shan Road, Native City.	Flower Merchant
Shimeiao & Co., Dispensary (思明堂藥房)	Kiangnan Road, S.A.D. No. 3.	Dispensary
#Shih Yieh General Storekeeper (實業百貨公司)	Continental Bank Bldg., Hupeh Road, S.A.D.No.3.	General Goods Department
Suzuki & Co. (鈴木洋行)	S. A. D. No. 3.	General Importers and Exporters
*Taian Spinning Co., Ltd. (泰安紡織株式會社)	Yokohama Specie Bank Bldg., S.A.D. No. 3.	Cotton Mill
Takashima & Co. (高島洋行)	E-Wo Road, S.A.D. No. 3.	General Brokers
*Toyo Menka Kaisha, Ltd. (東棉洋行)	Yokohama Specie Bank Bldg., S.A.D. No. 3.	Cotton Merchant
*Yoshida & Co. (吉田洋行)	14 Poyang Road, S.A.D. No. 3.	Importers and Exporters
#Yu Tsung Photo Co. (玉貞照相館)	Kiangnan Road, S.A.D. No. 3.	Photo Co.
Anshoh & Co. (安昌洋行)	Kiangnan Road, S.A.D. No. 3.	Sugar and Fancy Piece Goods Importers
Gyokuen & Co. (玉園公司)	Kiangnan Road, S.A.D. No. 3.	Chemicals, Woolen and Cotton Goods Importers

*Large firms.

#English name is not known; characters romanized according to
 Chinese pronunciation.

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

-3-

Name in English & Chinese	Address in English	Kind of Business
Iwai & Co., Ltd. (岩井洋行)	Ming Sun Road, Native City.	General Goods Importers
Katai Yoko (嘉泰洋行)	Ming Sun Road, Native City.	Transportation Co.
Oishi & Co. (大石洋行)	Kiangnan Road, S.A.D. No. 3.	General Store-keeper
Oye Bicycle Co. (大江洋行)	Chung Shan Road, Native City.	Bicycle & Rubber Tire Importers
Sanpoo Printing Office (三寶堂印書館)	Chung Shan Road, Native City.	Printing Office
#Kao Chiao Photo Studio (高橋照相館)	Chung Shan Road, Native City.	Photo Co.
#Ta Ho Photo Studio (大和寫真館)	Chung Shan Road, Native City.	Photo Co.
#Chung Chuen Photo Studio (中村寫真館)	Kiangnan Road, S.A.D. No. 3.	Photo Co.
#Chih Tien Photo Studio (池田寫真館)	Kiangnan Road, S.A.D. No. 3.	Photo Co.
#Ta Shih Tai Photo Studio (大時代寫真館)	Kiangnan Road, S.A.D. No. 3.	Photo Co.
#Chien Tai & Co. (千代洋行)	Kiangnan Road, S.A.D. No. 3.	Photo Supplies & General Goods
*#Kiang Shang & Co. (江商洋行)	Hunan Road, S.A.D. No. 3.	Cotton Yarn and Cloth Importers
#Totien & Co. (多田洋行)	Chung Shan Road, Native City.	Cotton Yarn, Cloth, and Sundry Goods Merchants
#No. 1 Drug Manufacturing Kaisha (第一製藥會社)	Kiangnan Road, S.A.D. No. 3.	Medicine Merchants
#Chung Sung Dispensary (重松藥房)	Hua Lou Street, Native City.	Dispensary
Kamogawa & Co. (鴨川洋行)	Chung Shan Road, Native City.	Sugar, Soap, Candles, Cigarettes, et cetera
Itoh & Co. (伊藤洋行)	Chung Shan Road, Native City.	Cigarettes, Rubber Shoes, et cetera

*Large Firm.

#English name is unknown; characters romanized according to Chinese pronunciation.

-4-

Name in English & Chinese	Address in English	Kind of Business
#I Chuan & Co. (衣川洋行)	Chung Shan Road, Native City.	Cigarettes, Canned Goods, et cetera
#Chien Tien & Co. (前田洋行)	Chung Shan Road, Native City.	Cigarettes, Canned Goods, Wheat Flour, et cetera
#Chi Bai & Co. (吉備洋行)	Ming Sun Road, Native City.	Cigarettes, Sugar, et cetera
#Er Hua & Co. (日華公司)	Szeming Street, S.A.D. No. 2.	Wholesale of Cigarettes
#Yuan Kow & Co. (原口洋行)	Iping Li, S.A.D. No. 2	Bicycle Repairing Shop
#Yuan Kee & Co. (元記洋行)	Hunan Road, S.A.D. No. 3.	Canned and Sundry Goods
#Ping Shan & Co. (平山洋行)	Hupei Road, S.A.D. No. 3.	Electrical Supplies and Battery
#Kung Tai & Co. (公泰洋行)	Chung Shan Road, Native City.	Canned Goods and Sundries
#San Yih & Co. (三益社)	Kiangnan Road, S.A.D. No. 3.	Wines, Beer, and Cigarettes
#Hou Chang & Co. (合昌洋行)	Chung Shan Road, Native City.	Sugar, Cigarettes and Sundry Goods
#San Ho & Co. (三和洋行)	Ming Sun Road, Native City.	Sugar, Cigarettes and Sundry Goods
#Chai Tien & Co. (柴田洋行)	Ming Sun Road, Native City.	Cigarettes, Canned Goods and Sundries
#An Chuan & Co. (安川洋行)	Ming Sun Road, Native City.	Wines, Beer, and Sundries
#Kung Chang & Co. (宮壯洋行)	Ming Sun Road, Native City.	Wines, Soaps, Candles, Canned Goods, et cetera
#Han Ho & Co. (漢和洋行)	Ming Sun Road, Native City.	General Goods Shop
#Teh Ta & Co. (德大洋行)	Ming Sun Road, Native City.	General Goods Shop
#Shun Ho & Co. (順和洋行)	Ming Sun Road, Native City.	General Goods Shop

*Large firm.

#English name is unknown; characters romanized according to
 Chinese pronunciation.

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

-5-


Name in English & Chinese	Address in English	Kind of Business
#Yung Chang & Co. (永昌洋行)	Ming Sun Road, Native City.	Paper and General Goods
#Tai Hsin & Co. (泰信洋行)	Ming Sun Road, Native City.	Paper and General Goods
#Yung Tai & Co. (榮泰洋行)	Ming Sun Road, Native City.	General Goods
#Chen Kuo & Co. (城谷洋行)	Ming Sun Road, Native City.	General Goods
#Nan Chin & Co. (南樞洋行)	Ming Sun Road, Native City.	General Goods

*Large firm.

#English name is unknown; characters romanized according to
Chinese pronunciation.

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


DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS
March 6, 1939. PAH

~~JWB:~~
~~MM:~~

Tokyo's despatch 3684 of February 15, 1939, discusses the reasons for Japanese occupation of Hainan and the significance thereof.

The Embassy states that tactically the possession of Hainan facilitates Japanese attacks on the routes leading into China from French Indochina and that strategically it makes possible the checking of all traffic in and out of Hanoi in case a blockade is resorted to and, if converted into a well-equipped naval and air base, helps control the South China Sea between the mainland and Luzon while limiting the sphere of Singapore. The Embassy states that the occupation was not made without due consideration of possible consequences and may have been decided on at an Imperial Conference in early February. The French Embassy regards the action as directed mainly against French and British interests, as a direct reply to the American, British and French notes of last October and November, and as a partial retaliation for the French attitude toward Mr. Tani as Japanese Ambassador to France. The British are more inclined to view the occupation as the latest step in the southward advance policy and possibly as a definite move to fit in with whatever Mussolini may have in mind with regard to Europe. The Embassy states that, whether or not the occupation is a reply to our various

notes

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

- 2 -

notes, it is a clear indication of Japanese indifference to rumors of joint Anglo-American action against Japan and may be a threat to the Philippines and perhaps a direct reply to proposals to fortify Guam. It concludes with the statement that "despite their present statements that the occupation is of temporary nature, there is reason to believe that they will never voluntarily withdraw".

FE:Sam [signature] REK

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



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

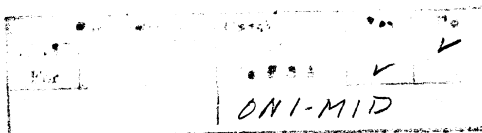
AMERICAN EMBASSY

No. 3684

Tokyo, February 15, 1939

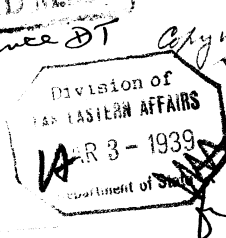
SUBJECT: FRENCH-JAPANESE RELATIONS.

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RECEIVED
MAR 1 1939

PM



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The Honorable
The Secretary of State
Washington

Sir:

It was officially announced on February 10*
that early in the morning of that day the Japanese
military and naval forces had landed on, and occu-
pied, the Island of Hainan, a strategically placed
island roughly the size of Formosa, lying adjacent
to

*Embassy's telegram no. 83, February 10, 5 p.m.

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

-2-

to the southern coast of the Chinese province of Kwangtung. The news of the occupation came unexpectedly although the element of surprise lay in the timing of the action rather than in the fact, for it must be recalled that as far back as last June the then Minister for Foreign Affairs, General Ugaki, informed the British Ambassador, Sir Robert Craigie, that while Japan had no immediate intention at that time of seizing the island, the military forces would do so at a later date if circumstances required it. It is needless to say that the news was ill received by the French and the British Embassies, the more especially in view of the fact that both the French and the British Ambassadors had in the past made repeated representations to the Japanese Government,* indicating the seriousness with which their respective governments and peoples would regard such an act. Furthermore, it was tacitly understood that the Japanese would refrain from seizing Hainan in return for the French Government's stoppage of all arms and munitions shipments into China across the Indo-Chinese border. The French feel that the quid pro quo should have been sufficient to satisfy the Japanese and, despite Japanese assertions to the contrary, the best evidence available here tends to show that the French kept their part of the bargain in a most scrupulous manner.

As

*Embassy's despatch no. 3092, dated July 11, 1938.

-3-

As was to be expected, the French Ambassador, under instructions from his Government, called on the Foreign Minister on February 13, and inquired as to the purpose, character, and duration of the occupation by Japanese forces of Hainan.* This, it may be observed parenthetically, is far from constituting the "energetic protest" referred to by Monsieur Hoppenot in his recent conversation with our Embassy at Paris.** On the following day a similar inquiry was instituted by the British Ambassador, Sir Robert Craigie. To both these representations the Japanese made the same reply, namely, that "the measure was executed for military reasons to tighten the South China blockade in order to bring about the early suppression of the Chiang Kai-shek regime, and that the nature and duration of the occupation will not go beyond military necessity."

In attempting properly to evaluate the Japanese reply, which falls far short of being a satisfactory or full explanation of the reasons for taking Hainan, it is necessary to examine the several implications of this action. They may be said to be (1) tactical, (2) strategical, and (3) political.

(1) Tactical. Although as early as September 1938 the Japanese occupied the small island of Waichow, in the Gulf of Tongking, which is much closer to the
mainland

*Embassy's telegram no. 88, February 14, noon.

**Department's telegram no. 38, February 13, 7 p.m.

-4-

mainland than is Hainan, the latter island affords far better facilities for installation in the way of bases than does Waichow. With Japanese bases on Hainan the routes leading into China from Indo-China can be much more easily attacked than they can at the present time from the vicinity of Hong Kong which is at the southernmost limit of Japanese advance. Although overwater flights have certain obvious disadvantages, it is thought that the difference in distance between Hainan and the routes through Indo-China as compared to the distance of those routes from existing Japanese air bases render this consideration a minor one, and that, in the tactical field, the occupation of Hainan is directed at the Chinese sources of supply via Indo-China.

(2) Strategical. The island of Hainan dominates the whole coast of the Chinese mainland between Hong Kong and the southern tip of the Indo-China peninsula. Its holders are in a position to check all traffic into and out of Hanoi should a blockade be resorted to. Furthermore, if converted into a well-equipped naval and air base, possession of it by the Japanese would have a great effect on the matter of the control of the South China Sea between the mainland and the island of Luzon to say nothing of limiting the sphere or area dominated by Singapore. Hong Kong is, of course, cut off and the British lines of defense thrown back upon Singapore. A naval base at Hainan

would

DECLASSIFIED: E.O. 11652, 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-

would extend by some six hundred miles southward the effective radius of naval operations and thus the seizure of this important island is in direct harmony with and constitutes the most logical next step in the development of the so-called "southward advance policy" of the Japanese.

(3) Political. As the political aspects of the Japanese action in occupying Hainan are examined, it becomes more and more evident that this important step was not taken without the most serious consideration being given to it. In fact, there are persistent, though unconfirmed, rumors that another Imperial Conference was held during the first days of February and that the decision to take Hainan was among those reached at that time. In any case, the step was not taken lightly nor without due consideration to the possible consequences. In the French view the Japanese action was directed mainly against French and British interests and constitutes a direct reply to the American, British, and French notes of last October and November. They also believe that it is in partial retaliation for the difficulties in connection with the desired appointment last month of Masayuki Tani as Japanese Ambassador to France.* It will be recalled that the French Government withheld consent to the agrément demanded for Mr. Tani until

*Embassy's telegram no. 49, January 27, 7 p.m.

-6-

until explanations were forthcoming concerning some of his alleged statements regarding French policies while Minister-at-large in China in 1938.

The British share the French appraisal to a certain extent but they are more inclined to view the seizure of Hainan as the latest step in the southward advance policy and as, in effect, the threat of a potentially hostile naval base some six hundred miles nearer to Singapore. They, too, believe that the Japanese timed this action to be in the nature of a reply to the British and other notes of last November. There is also some disposition on their part to see in this action a definite move in support of the Rome end of the Berlin-Tokyo-Rome axis and one which fits in with whatever Mussolini may have in mind with regard to the European scene.

Whether or not the Japanese action may be looked upon as a reply to our various notes of last fall, it is admittedly a clear indication of the indifference with which the Japanese regard the recent rumors of Anglo-American joint action against Japan. So far as the United States is concerned we may choose to see in the occupation of Hainan a threat to the Philippines, an ominous development of the southward advance policy, and perhaps a direct reply to our recently discussed proposal to fortify Guam.

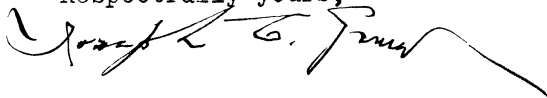
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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

-7-

In all this speculation concerning the motives for Japan's action there emerges the inescapable fact that the Japanese are now in possession of an island which is potentially capable of being developed into a formidable air and naval base and that their radius of operations is thus brought some six hundred miles nearer to American, British, French, and Dutch territories. Hong Kong is cut off, Manila is within easier reach, and oral protests or representations by the Powers will not dislodge the Japanese from the island. In fact, despite their present statements that the occupation is of a temporary nature, there is reason to believe that they will never voluntarily withdraw.

Respectfully yours,



Joseph C. Grew

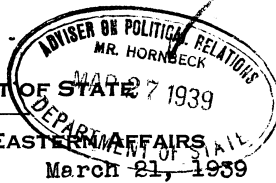
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS
March 21, 1939



Shanghai's despatch no. 1978 of February 8
encloses Marine intelligence summaries which
report the following items of interest:

Three new Kwangtung divisions have been
formed north and west of Canton. (page 7)

A special bureau to organize and
coordinate all guerrilla operations was estab-
lished in Chungking, headed by Li Chi-sen
(under Chiang Kai-shek) and is expected
greatly to increase guerrilla activities.
(page 14, bottom)

Chang Fa-kwei was made commander-in-chief
of all troops operating in Kwangtung. (page 17)

Russian munitions and military instructors
arrived at Chungking. (page 14)

Chinese planes damaged three Japanese
warships off Waichow. (page 17)

The first three of the above items have
inspired me to venture the attached observa-
tions on a believed significant development
in guerrilla warfare, with particular refer-
ence to south China.

FE:Chase:HJN

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

No. 1978

THE FOREIGN SERVICE
DEPT. OF THE
UNITED STATES OF AMERICA
Stanton

1939 MAR 1 PM 3 23

AMERICAN CONSULATE GENERAL
DIVISION OF
COMMUNICATIONS Shanghai, February 8, 1939.
AND RECORDS

SUBJECT: Intelligence Summaries for the
Month of January 1939.

DEPARTMENT OF STATE
A-M/C
MAR 2 1939
ASSISTANT SECRETARY
OF STATE

THE HONORABLE

MR. HOSBEEK
MAR 22 1939
THE SECRETARY OF STATE,

DEPARTMENT OF STATE
WASHINGTON.

Division of
FAR EASTERN AFFAIRS
MAR 3 - 1939
Department of State

1/ I have the honor to refer to my despatch no.
1902 of January 4, 1939, and to enclose, as of
possible interest to the Department, copies of
intelligence summaries for the month of January
1939, 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 the month of January
1939.

800
EFS MB

In Single Copy.

Copy to Embassy, Peiping.

793.94/14762

F/EG 14762

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

JSM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA.

21 January, 1939.

RESTRICTED

R-2 REPORT JANUARY 14th-JANUARY 21st, 1939:

MILITARY OPERATIONS

NORTH CHINA

SHANSI

DECLASSIFIED

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

OSD letter, May 3, 1972

NARS Date

LE Polman 1973

It is believed that the Japanese have temporarily abandoned efforts to cross the YELLOW RIVER at HOTSIN and will, for a while, be content to hold the railroad between TAIYUAN and PUCHOWTU. On January 15th Japanese forces concentrated in HOTSIN began to move northwards toward YUMENTU on the east bank of the YELLOW RIVER. The Chinese, in view of their successful prevention of Japanese crossing the river and possible, but unlikely, military assistance from Russia, have gained in morale.

On January 16th two squadrons of Japanese bombers raided the LUNGMAI railway between TUNGMAN, on the south bank of the YELLOW RIVER, and LINCHIH, near the SHENSI-SHANSI border. The objective being the Chinese positions along the railway. Locomotives and freight trains at WENTICHEN and LINCHIH were damaged. These two towns and HSIACLIICHEN received the most attention of the bombers whose main mission was the Chinese heavy artillery positions in the vicinity of these towns. The Japanese batteries across the river have been trying to silence the Chinese guns for several weeks. TUNGMAN has been heavily shelled by the Japanese.

Fighting continues at TUNING, LIHSIEN, SHENLOU, YUTENKOW, KUACHOW and YUMENTU.

Chinese claim to have retaken LISIEN and CHUNGYANG on the FEN RIVER.

During the past week the following places in SHANSI were bombed by the Japanese:

The LUNGTAI railway between MINCHIE and TUNGKMAN, particularly WENTICHEN, HSIACLICHER and MINCHIH. Transportation was completely disrupted.

Troop concentrations at SHENHSIAI.

Headquarters of the 8th Route Army, (Location not known).

During the past week guerrillas have been active at the following places in SHANSI:

KIANGHSIEN, ANLETSIEN, KIANSHU, HUNG TUNG, WENSI, ANYI, SHIHSIEN, LINFEN, HOTSIN, SIANGNING, LIANGSIAN, KUNG, YUNGCH, MINCHMAN, TAIU, KIEHSIU, SECHSIEN, TIEHSIEN.

SHENSI

SIEN was heavily bombed on January 18th. The headquarters of the 7th, 8th and 14th Chinese Divisions were damaged causing more than 200 casualties and more than 300 houses destroyed. More than 80 bombs were dropped on the city. Twenty-three planes took part in the raid.

PACMI and TUNGKMAN were bombed on January 18th.

KANSU

A new division, the new 14th, is being formed. It will be commanded by General LU CHUN CHANG. Its headquarters is not yet known.

SHANTUNG

In spite of the Japanese claims to the contrary regular railroad communication between TIENTSIN and PURCH cannot be expected for a long time to come as the guerrillas continue disrupting activities.

The 3rd Route Army of the PEIPING Provisional Government occupied YHSIEN on the southern coast of LAICHOW Bay. Guerrilla forces attacked at YANGSIN, YEH HSIEN, YUTAI, LAICHOW, CHANGYI.

SUIYUAN

At KUSEAN STATION, on the PEIPING-SUIYUAN railway, south of FENGCHEN in southeastern SUIYUAN, guerrillas attacked Japanese positions, destroyed several coaches and killed about 90 Japanese soldiers.

HOPEI

Guerrillas continue operations along the PEIPING-TIENTSIN railway and on January 11th caused a derailment. LINGSHOW in western HOPEI, has been besieged by guerrillas since January 7th. Japanese reinforcements from CHENGTING were ambushed and driven back.

CENTRAL CHINA

HUPEH

Japanese have begun an offensive to the west of HANKOW. They are advancing in three columns. The first is moving toward CHINGSHAN; the second along the ICHANG-HANKOW road; and the third towards TIENTSIN. The Japanese vanguards have occupied SANYANGTIEN, north of CHINGSHAN, and WANLIAOTSI, west of TSAOSHIE (on the HANKOW-ICHANG ROUTE). The Chinese are resisting stubbornly.

At YINGSHAN, and near the HANKOW-CHENGCHOW railroad, the guerrillas killed 30 Japanese soldiers, destroyed by fire Japanese military supplies, felled telegraph poles, seized large quantities of food and provisions, destroyed highway bridges between YINGSHAN and MAPING, and, at the latter place, killed twenty Japanese soldiers. Other guerrilla units attacked at FENSHUOCHU, HANCHUAN, CHENTAIAN, LOTIEN.

HUNAN

HENGYANG suffered serious damage by Japanese air bombing on January 12th.

Unimportant skirmishes have taken place south of YCCHOW. The Japanese attacked Chinese positions at PINGTI, twelve miles southeast of YCCHOW.

HUNAN (CONT'D)

The following places have been bombed by Japanese during the past week: CHUCHOW, PINGSIANG, LILING.

Three Japanese gunboats shelled Chinese positions at NANTSINKLING on the east bank of TUNGTING LAKE.

HCHUAN

Between HMAIYANG and LIULINTSI guerrillas attacked Japanese forces causing numerous casualties and capturing two field guns. Guerrillas have attacked at LIULINTSI, HMAIYANG, TARANTSI, LUYI.

CHEKIANG

Guerrillas have attacked at WUCHEN, and MINCHONG.

ANHWEI

Severe fighting for possession of SUANCHENG, railway and highway junction southeast of JUHU, resulted in the town being recaptured by the Chinese. Guerrillas have been active at PCHSIEN.

KIANGSU

At NANKING Japanese authorities admit that the local garrison had 26 engagements with guerrillas during the first ten days of January. Other guerrilla units have been active on the FENGSIEN-TANGSHAN highway.

KIANGSI

Guerrillas have been active, during the past week, in the vicinity of LUSHAN.

SZECHUAN

On January 15th CHUNGCHING was bombed for the first time by Japanese planes. They met with heavy anti-aircraft fire, which apparently prevented bombs from being dropped on the Chinese air-drome. Whether these were army or navy planes is not known. They were engaged by Chinese pursuit planes but there were no aircraft losses on either side, although the Japanese later claimed five Chinese planes were shot down. One Japanese bomber was damaged by anti-aircraft fire.

128

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

SZECHUAN (CONT'D)

WANSIEN and ICHANG waterfronts were heavily bombed on January 14th and 15th. About 150 casualties were noted in WANSIEN.

The waterfront of CHIAOTIENMEN was bombed on January 15th and many coolies killed.

SOUTH CHINA

FUKIEN

On January 14th two Japanese warships appeared off CHUANCHOW, 50 miles northeast of MOY, and shelled that locality. This report has not been confirmed.

KWANGTUNG

SZEJUI, west of CANTON, was subjected to intensive air-raids on the 12th of January. This appeared to indicate the Japanese plan to land large numbers of troops in preparation for a drive to the northwest.

On January 12th Japanese forces in the NORTH RIVER sector began an offensive toward TSUNGHUA.

After capturing FAYUN, twenty-three miles north of CANTON, are advancing on Chinese positions west of FAYUN. Japanese planes are assisting in the advance. CHUNGTIEN and FAHSIEN have fallen to the Japanese.

In the WEST RIVER sector from TUNGKUNGASIEN to TSUNGFA to TSENGCHIEH the Chinese counter-attacked the Japanese positions but with no appreciable results.

West of Samshui the Japanese continue to advance towards SHUI HING on the north bank of the SIKIANG RIVER.

It is believed that the Japanese are consolidating their positions north and east of CANTON and will either begin a drive to the north to effect a junction with forces at YCHOW, or a drive in KWANGSI. The Japanese cannot carry on two large scale

KWANGTUNG (CONT'D)

maneuvers in the south at the same time due to the fact that they have not more than 60,000 troops (plus recent reinforcements if any) in and near CANTON. A successful drive into KWANG-SI would permit the Japanese to establish air bases and operating bases 400 miles nearer their next logical strategic objectives, namely, the railroad from YUNKANGFU to HOKO and the highway from YUNKANGFU to KIENG HUNG which runs on to RANGOON. Many Japanese reinforcements are reported to have arrived in the CANTON area during the past week.

Three new Chinese divisions are in the process of formation. Their respective commanders and headquarters are:

General TAN CHI HSIU at YEUNGCHUN;

General CHANG YEN at FAHSIEN;

General CHIEN CHUN MENG at TSINGYUN.

During the past week the following places have been bombed:

Military establishments at SHACKWAN;

Junks on the NORTH RIVER (PEHLLING);

Chinese troops concentrated at SINFENG, 45 miles east of YINGTAK, and at TANGTLING, 31 miles south of YINGTAK; SZENUI, HEUNGKONG, FOKANG, SHUIMING, TINKAPING, FAKHOI, YANG-YUNG, (YAMHSIEN), SUNWEI (KONGLOON) STATION, (this is the terminus of the SUMLI-TOWSHAN railway);

HEUNGSIEN (on the PEARL RIVER DELTA);

Junks in the CHINGNIEN RIVER;

FAHSIEN, (PATALLING) north of CANTON.

On January 17th twenty Japanese warships were anchored off CHUNGSHANKONG, north of LACAO. A landing is expected in this region. This report has not been confirmed.

MISCELLANEOUS

According to TOKYO reports sixty thousand tons of British war supplies are moving through BURMA into YUNNAN. A like amount was shipped during the last two months of 1938.

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

MISCELLANEOUS (CONT'D)

Japanese at TAIYUAN claim that Soviet military assistance in the northwest, SUIYUAN, SHANSI, and SHENSI, is increasing. This report is either true or is just an excuse for failure of Japanese forces in SHANSI to gain control of the YELLOW RIVER between SHANSI and SHENSI. TAIYUAN is probably the headquarters of Japanese forces in the northwest.

It is believed that General CHIANG KAI-SHEK will have completed moving his headquarters from CHUNGKING to CHENG TU by the end of January. Whether this move is motivated by the necessity of making a last stand of cohesive Nationalist government at a place more inaccessible to Japanese forces or to allow the Japanese to penetrate further inland, cannot be determined at present.

Japanese headquarters announced that during the month of December, 1938 the Chinese losses in Central China resulting from the numerous engagements during that month totaled 15,000 dead and the following captured: One mountain gun, 4 Machine-guns, 13 Automatic Rifles and a large quantity of Rifle ammunition. Japanese losses were not disclosed.

Japanese report that the Chinese have only 300 planes of which only 100 are in good condition. Actually, there are nearly 90 planes concentrated at NANCHANG in SHENSI. There 21 other airdromes now being used by the Chinese air force. Some of these are located at:

CHIH IANG in HUNAN;
 KWEILIN and LIUCHOW in KWANGSI;
 LIANGSIAN, CHUNG ING, IPIN and CHENG TU in
 SZECHUAN;
 KUNMING and LENGTEE in YUNNAN;
 KWEIYANG in KWEICHOW;
 LANCHOW in KANSU;
 NANYANG.

There is no map included in this week's report, as there has been no material changes in troop positions since the last report.

POLITICAL

Probably the most important event on the political horizon is the long awaited Japanese answer to the protests of America, England and France.

The Japanese have not answered formally as yet but have released through spokesmen, to the press, the probable propositions to be included in this answer. According to these spokesmen Japan will meet the demands of the Western Powers in full, providing they will accede to three conditions.

First the complete emancipation of Oriental nations, including the removal of China's colonial status and freedom of travel and residence for oriental peoples. Second complete freedom of trade throughout the world, including abolition of existing economic blocs and removal of tariff barriers and import quotas. Third impartial and fair redistribution of raw materials including free access to raw materials which are indispensable to national existence.

Spokesmen for Japan declare Japan would accept the Anglo-American offer for a multi-lateral conference to consider possible revision of the Nine Power Pact only if Britain and the United States accept Japan's three points as a basis for revision of this treaty.

If these three points are accepted it will mean that such legislation as America's Oriental Exclusion Laws be abolished, that preferential tariffs and quotas be discontinued and that economic blocs such as the British Empire and the Pan-American system be dissolved. ?

In view of the inacceptability of the Japanese policy, Japan's reply to the notes of the protesting powers will be tantamount to rejection of their demands for a multi-lateral settlement of pending problems in the Far East. This it appears will leave the Western Powers the choice of taking action against Japan, probably in the form of economic sanctions, or remaining quietly aloof from the Far East, while Japan completes her hegemony on the Asiatic Continent.

Japan at present is now attempting to hold four-fifths of the wealth producing territory of China, and exploit this territory with the aid of Chinese puppets. The puppet governments are therefor an ever increasing source of interest to Western Nations.

Aside from the natural repugnance with which most Chinese regard political cooperation with the invaders, acceptance of office in the various puppet regimes is exceedingly perilous. For those who have accepted office under Japanese compulsion, persuasion or bribery there are worse penalties to the Chinese than loss of life by assassination.

A good insight to the make up of the puppet official is given in the case of Mr. Fu Siao-en, now Mayor of Greater Shanghai. There have been two attempts on Mr. Fu's life since he took office. But even worse, for a Chinese, the citizens of his native city, Ningbo, have shown their detestation of his political alliance with the Japanese by breaking open his ancestral tombs, and strewing the ground with the broken bones of his forefathers. In addition to this, Mr. Fu's very considerable properties in areas still controlled by the Chungking government have been confiscated by the State.

A case history of Mr. Fu shows that in 1926 he was a wealthy and respected resident of Shanghai. Among other things he was president and chief stockholder in a Chinese company operating about twenty steamers along the Yangtze and up and down the coast of Central China.

At this time he incurred the lasting enmity of General Chiang Kai-shek and the Nationalist when he permitted General Sun Chuan-fang, then warlord of the Shanghai-Nanking area, to use many of his ships as transports. When Chiang Kai-shek was victorious Mr. Fu saved his life by fleeing northward to Japanese controlled Dairen in Manchuria, where he remained as an exile.

The Chiang Kai-shek regime immediately "nationalized" his steamship company, and confiscated his other properties. It is only natural that men of this type are ready and even eager to take office under the Japanese, whose "immutable intention is the destruction of Chiang Kai-shek and his Nationalist Regime".

In the exploitation of this wealthy territory the "cooperation" of Chinese business men is even more important than that of puppet officials. An example of the type of "cooperation" going on in Central China at present, is the Central China Gas Company, which was reorganized on 27 December with a capital stock of \$3,000,000. Of this total only \$500,000 was allotted to the Chinese and the balance to Japanese stockholders.

To present the clearest picture of the methods employed by the Japanese, consider a hypothetical case which is typical of such transactions.

A Chinese owned power house in an interior city was damaged during the hostilities, and the Chinese owners lacked funds to make the necessary repairs. In addition there are Japanese soldiers billeted in the company's compound.

The plant was capitalized at \$1,000,000 before the war and was making a very good profit. The Japanese promoters approach the Chinese owners and suggest a deal something like this:-

"Let us reorganize as a Sino-Japanese enterprise, with a capital of \$3,000,000 of which we will take \$1,000,000 in preferred stock and \$1,000,000 in common stock. You, as payment for your damaged property, will be allowed \$1,000,000 in common stock. We, in return for our \$2,000,000 stock, will guarantee to have the military move out, will furnish the money for repairs and will obtain military permits for bringing in necessary new machinery". The new company, of course, must have a Japanese manager, Japanese technical experts and a majority of the directors must be Japanese.

Chinese business men have the alternative of "cooperation" under these terms or the complete loss of their property.

Unfortunately, the most genuine cases of Chinese cooperation with the Japanese are caused by mistreatment of Chinese peasants and villagers by their own armed forces. Since Chiang Kai-shek's organized armies have been driven far into the interior, and since the Japanese effectively hold or blockade the coastal regions, the Chinese guerrillas have been experiencing a shortage of money, munitions and supplies. Their method of solving this problem is to raid or occupy villages in which there are no Japanese garrisons. They then force the inhabitants to give them food and clothing. They confiscate all the money that can be found, on what they term a patriotic levy. With a people already nearly destitute these actions arouse no feelings of patriotism, but rather disgusted revulsion.

ECONOMIC

Following the conclusion of an Anglo-Japanese Customs Pact on May 3rd, 1938, the revenue of the Shanghai Maritime Customs was deposited with the Yokohama Specie Bank instead of with the Hongkong and Shanghai Banking Corporation. Up to the present over \$20,000,000 are on deposit with the Yokohama Specie Bank.

The Japanese recently refused to use the revenues deposited for repayment of foreign loans for the following reasons:-

China's failure to pay the monthly installments for the Boxer indemnity of approximately \$100,000 which under instruction from the National Government is being withheld in a special trust fund in the Hongkong and Shanghai Bank. The fund now totals about \$10,000,000. Also the failure of the Chinese to transfer \$20,000,000 held at the Hongkong and Shanghai Bank in the name of the Customs Commissioner, Sir Frederick Maze to the Yokohama Bank. This sum represents the customs collections at

Shanghai between early November 1937 and May 3rd, 1938. The Japanese contend that under the Anglo-Japanese customs Pact when they agreed to service China's foreign obligations, that fund would be transferred to their bank. Neither of these funds can be transferred without the specific order of H.H. Lung, Finance Minister of the National Government.

The principal long term debts involved are \$600,000,000 of foreign currency loans, \$100,000,000 for Boxer Indemnities., and more than \$1,800,000,000 in Chinese currency loans. These loans were secured on the Customs revenue, which during 1938 amounted to \$254,570,000. Four-fifths of these collections, however, were made at ports subject to Japanese interference.

The Ministry of Finance of the National Government has drawn up measures to deal with this question, and has issued an order that in the future no more overdrafts to refund foreign loans secured on Customs revenue will be passed. That the Chinese, however, are prepared to remit, proportionately from the area they control, custom's money to meet foreign obligations.

The Chinese Customs besides the usual function of examining cargo and the collection of duties also controls the harbours, acts as trustees for the funds to liquidate China's foreign indebtedness, operates lighthouses on a coastline in excess of two thousand miles and erects navigational signs in navigable rivers.

Contrary to general supposition the Japanese have not swamped the customs administrative personnel with their own Nationals. The customs administrative staff consists of only seven and a half percent Japanese. However, in the customs inspector class they have greatly increased the number of their Nationals until at present customs inspectors number about fifty percent Japanese.

M. D. Gustafson
M. D. GUSTAFSON
Capt, U.S.M.C. Asst. R-2
for
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

13

JSM/jsn HEADQUARTERS, FOURTH MARINES
 SHANGHAI, CHINA.

28 January 1939

RESTRICTED

R-2 REPORT JANUARY 21st-JANUARY 26th, 1939.

MILITARY OPERATIONS

NORTH CHINA

DECLASSIFIED
 E.O. 11652, Sec. 3(E) and 5(D) or (E)
 OSD letter, May 3, 1972
 By Edith J. Homan NARS Date Mar 19, 1973

Having recently crossed the YELLOW RIVER in the vicinity of JENSIANG AND LINGIAO, the Japanese have begun operations in the mountainous regions of CHUNGSHU in northern HONAN. It is believed that the Japanese intend to use this force as a left column in a drive to the west with SIAN as the objective. Although this gain by the Japanese is slight, it is the first actual gain of ground for several weeks.

It is believed that the Japanese need more reinforcements or more assistance from their bombing planes to facilitate their advance on SIAN. However the Japanese did bomb TUNGKUAN, LOYANG, (headquarters of 2nd Chinese Division), the Chinese positions in the vicinity of YUHSIANG and the railway from, and including, LOYANG and SIAN, particularly the stations of SINAN, LINCHIE, TUNGKUAN and MAINAN, has been bombed almost daily during the past week.

On January 18th and 19th some fighting took place near TASHUWAN and TOKOTO, in SUIYUAN, 75 miles southwest of KWEIHUA. Chinese volunteers have become active in the vicinity of FENGCHEN and SARATSI, in the KALGAN-PAOTOW railway zone, and in the PAITSAOKO regions in the north of the province.

The Japanese continue their operations against guerrillas in the vicinity northeast of TSINAN, in SHANTUNG, and on January 23rd occupied PINHSIEN on the north bank of the YELLOW RIVER. A group of guerrillas was routed at JUTING (HWEIMIN), northwest of PINHSIEN.

On January 22nd the Japanese bombed the 8th Route Army and Communist Party headquarters in SHENSI. Chinese supply depots and troops at LOCHWANHSIEN were severely damaged during

14

-the same raid.

On January 21st, the National Military Council officially announced the abolition of CHUNGLING headquarters office. The new headquarters is now at CHENGTCU in Szechwan.

During the past week, the guerrillas in HOPEI have launched attacks on several Japanese garrisons along the various railways. A section of the PEIPING-TIENTSIN and PEIPING-LILONGNING railways at CHANGCHUWANG, north of TIENTSIN was destroyed. A Japanese troop train on the TIENTSIN-PUKOW railroad was derailed south of TSANGCHOW. Guerrillas are active in YUANSIH, TAMING, TEHCHOW, and vicinity of TSINGSING.

A report from YULIN, northern SHENSI, stated that large numbers of Japanese reinforcements arrived at NANKOW PASS. The same report stated that the Japanese are rushing military supplies and gasoline from KALCAN to FAILINGMIAO. This town is about one hundred miles north of PACTOW, the terminus of the PEIPING-PACTOW railroad.

Chinese reports state that Japanese troops from CHANGTIERCHEN and HONGWANGTSUN, southeast of ANYI under cover of heavy artillery barrage, attacked Chinese positions at LAWENLEI, YUKOW, and CHUNMILITSEN, southeast of SIASHIAN.

The Chinese aircraft, after being inactive for several weeks, bombed munition dumps and military trucks near YANGCHOW in northern KIANGSU.

Last week the Japanese reported that Russia had been aiding the Chinese in the form of arms and military supplies. This report seems to have been correct. The Chinese report that forty Soviet trucks of military equipment, accompanied by Soviet officers arrived in SIAN. On January 24th, fifty foreign volunteer instructors in aircraft and mechanized warfare arrived in CHUNGKING. A special bureau charged with the coordination of guerrilla operations was instituted in

CHUNGKING. The head of this special bureau is General CHILING KLI SHIH and the second in command is General LI CHI SHEN, one of the Kiangsi military leaders. The bureau has divided the Japanese occupied territories into several "Special War Zones". As soon as the organization and coordination of these zones has been completed, it is believed that guerrilla activities will be greatly increased.

General LU CHUNG LING, former president of the HOPEI-Provincial Government has been made commander of the Hopei-Charhar zone. General SEIH YU SAI is second in command.

General YU HSUEH CHUNG, commander of the 51st Army (old northeastern troops), has been made commander of the KIANGSU-SHANTUNG zone. The second in command is Admiral SUN HUNG LIEH, former president of the SHANTUNG provincial government.

CENTRAL CHINA

The Japanese advance to the west from HANKOW has not progressed appreciably during the past week. Since January 18th they occupied KINGSAN. On the 23rd, the Japanese vanguards reached SUNHIAO, 10 miles west of KINGSAN, and occupied TIENMEN and continued toward SHASI. On the twenty-fourth, captured SANLITEN on their advance toward CHUNGSIANG. SANLITEN is west of KINGSAN.

Just north of HANKOW, the Japanese continue their operation against the guerrillas, especially in the HANGPEI regions, and occupied two bases northeast of this vicinity.

In ANHWEI, the guerrillas have made several feeble attacks on several Japanese garrisons. On January 19th, attacked a troop train south of KINGSAN on the TIENSIN-FUKOW railroad. Communication over the road was resumed the same day. A small skirmish took place at LIUFUTSI, 13 miles south of PENGU.

In the LUSHAN mountains in Kiangsi the guerrillas are active, particularly in the vicinity of HANGGLACHEN in the NANCANG-KIUKING railway zone.

On January 20th the Japanese in HONAN announced their

preparedness to cross the YELLOW RIVER and begin an attack on the Chinese positions on the LUNGHAI railway between CHENGCHOW and TUNGKIAN. The only crossing took place in the vicinity of WENSIANG and LINGPAO. This is covered in the report of military operations in North China.

At POCTUNG, during the night of January 19th and 20th, an engagement took place near CHANGKAPANG between a Japanese detachment and Chinese troops. Losses were: Chinese thirty, and Japanese six dead and twenty wounded.

In KIANGSU, the Japanese have begun a systematic clearing out of Chinese guerrillas in the LUNGHAI railway zone east of HSUCHOW. Fighting took place in the vicinity of PEIHSIEN, YUNHO and YAOWAN on the GRAND CANAL.

Mr. JEN YUAN TAO, pacification minister of the Reformed Government of NANKING, declared that during the last ten months twenty-five thousand irregulars who have been operating in the provinces of KIANGSU, ANWEI and CHEKIANG have surrendered to the new regime and have been reorganized into the local military.

Chinese guerrillas attacked and pillaged SHIHPAHCHENG, a locality near CHANGSHU. A group of guerrillas at HUSHIPAI, 20 miles northwest of KUIKIANG were dispersed, and on January 21st the Japanese attacked irregulars entrenched in the mountainous regions of MINSIAN, also northwest of KUIKIANG.

In the KIANGNAN region, fighting took place some days ago in the environs of KUYUNG, east of NANKING, between the Japanese and a mobile unit of the new 4th Army (ex-communist). One hundred of the Japanese soldiers, wounded during the battle, arrived at the North Station, (SHANGHAI), and were transferred to a hospital in HONGKEW.

SOUTH CHINA

On January 17th several Japanese warships anchored off WAI CHAC island, and, between January 21st and 24th, landed about two thousand troops.

Chinese aircraft, probably from HENGYANG, bombed the Japanese ships at the mouth of the PEARL RIVER near BOCCA TIGRIS, and, on the 23rd, attacked the Japanese ships off WAI CHAO. Three ships were damaged.

The Japanese advances to the north from CANTON have reached FAHSIEN, and to the west as far as MAFANG, seven miles west of SAMSHUI. There has been practically no fighting in this sector during the past week.

General PAI CHUNG HSI, commander-in-chief of the troops operating in KWANGTUNG (4th War Zone), who has been made director of the southeastern headquarters by the president of the military affairs commission, has been replaced by General CHANG FAH KWEI. The headquarters of General CHANG FAH KWEI is to be at SHACKWAN in northern KWANGTUNG. General YU HAN MCU, is to be made commander of the eastern group. General HSIA HWEI, commander of the KWANGSI military, has been made commander of the western group. His headquarters is located at CHACKING.

POLITICAL

The United Council of the Peiping and Nanking Japanese sponsored governments held their third regular session at Peiping, which was concluded on the 24th of January.

The meeting was for the purpose of discussing ways and means of effecting the proposed new Central Government of China. Postal and Financial matters were discussed.

The meeting was presided over by Wang Keh-min, Chairman of the Peiping Provisional Government. The council consisted of forty officers and delegates of the Provisional and Reformed Governments of which twenty were Japanese.

18

The complete account of the enactments at the meeting, are as yet not made public, however it is known that the Japanese under Lieut-General Kenji Doihara will intensify their attempt to have Ku Pei-fu take an active part in the new regime.

The present plan is to have Ku Pei-fu head the new "National Anti-Communist Salvation Meeting", which is to be held in Peiping. This meeting will then resolve itself into a "National Peoples Assembly", which will in turn form the new "Central Government of the Republic of China".

The United Council issued a Manifesto calling Chiang Kai-shek China's public enemy number one and another manifesto recommending peace with Japan on the basis ex-Premier Konoyoe advanced. The Council also extended an invitation to the Kuomintang and to join in the Anti-Communist and peace movements.

The Japanese declare they will recognize nothing but a Central Chinese government, silencing rumors that Japan intended to create two or more separate governments in China.

The Japanese further contend, that if Japan should renounce her extraterritoriality privileges in China and returned her concessions the new Central Government of China would undoubtedly demand that other foreign powers concerned follow suit.

ECONOMIC

Of all the devices used by the Japanese to close the "Open Door" none have excelled the forcible circulation, by the Japanese-controlled Federal Reserve Bank in Peking, of the new Yuan Currency. This currency is backed by little else than Japanese force.

The bank was opened last March and gradually its notes have been pressed by the spending agencies of the Japanese Army upon an ever growing, but extremely reluctant, group of Chinese in North China.

The effect of the issue of this "currency" may follow the pattern of the "Currency Bloc" in Manchukuo, which has been an overwhelming success.

In Manchukuo, Japan is buying much more than she is selling. In addition large Japanese investments are constantly being made, so that the current balance of payments runs heavily in favor of Manchukuo. As Japan does not wish to pay the debit balance in gold or foreign currency she pays in her own currency which is accepted by the local banks and retained as cover for the local currency. The two currencies are kept in stable relation by Japanese military force.

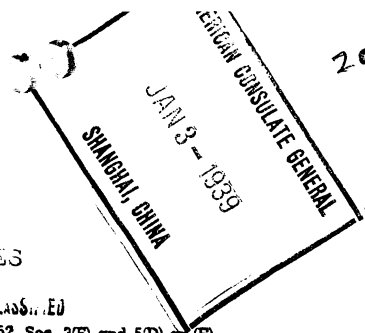
Japan is in effect taking from Manchukuo short-term credits, which later on may be either consolidated or settled by larger Japanese sales, when the country is sufficiently developed.

This method of exchange affords relief to Japan's international trading balance, for the more goods bought for Yen in Manchukuo, the less have to be bought for foreign currency in other countries. While it seems paradoxical exports to Manchukuo are actually being restricted in order to reserve more goods for sale where they will bring in foreign currency.

This bloc method of economy is useful only where Japan overbuys. As in the present case in North China. While this method is comparable to the subtlest devices of the German clearing trade it is only the heavy disbursements of the Army that make this system possible.

J. S. MCNAHAN
Major, U.S. Marine Corps
Regimental Intelligence Officer.

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



JSM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

3 January, 1939 E.O. 11652, Sec. 3(E) and 5(D) or (E)

RESTRICTED

Handwritten signature OSD letter, May 3, 1972
NARS Date Mar 19, 1973

R-2 REPORT, PERIOD 0800 31 DECEMBER '38, TO 0800 3 JANUARY, 1939

OPERATIONS

NORTHEASTERN KIANGSI: Japanese Naval Landing parties aided by naval aircraft have continued their guerilla drives in this sector the past few days. According to the Japanese, Chinese guerillas have been routed from the vicinity of Lienyunchiang; from an area west of a mount Yuntai, and from the vicinities of Sunchiashan and Sucheng villages.

KWANGTUNG: A Chinese report of the 30th, which should be taken with considerable reserve, claims that Chinese forces have captured Tsunghwa, about 36 miles northeast of Canton.

NORTHERN KIANGSI: According to Chinese reports Chinese guerillas have been active at Cutangshih, east of Changkungtu, on the northern bank of the Siu River. Another report states that a convoy of Japanese military trucks proceeding out of Jui-chang were attacked near Fankiapu on the 28th of December.

AVIATION

In Shansi the environs of Tungyumen on the eastern bank of the Yellow River and the vicinity of Taining were attacked by Japanese planes on the 26th. Two days later, on the 28th, Japanese planes raided Hhsien in central Shansi. In northeastern Kiangsu naval planes bombed military bases in the vicinity of Lehtzukow village while in southern Shantung field artillery positions near Tengchow were attacked by naval planes.

In South China, on the 30th, naval planes carried out reconnaissance and bombing flights over Yeungkong on the southwestern Kwangtung coast. On the 31st of December another naval squadron bombed Chinese military boats near Kwanghoichai village in southern Kwangtung. Military junks in western Kwangtung east of Suchow were also attacked on the 31st.

The Shensi towns of Yenchwan and Tsingkien in northeastern Shensi and Yenai in the central part of the province were bombed on the 1st of January.

MISCELLANEOUS

Lieutenant-General Li Han-hun, newly appointed Chairman of the Kwangtung Provincial Government assumed office on 1 January, relieving General Wu Te-chen, the retiring Chairman.

The China Press, announced on 3 January that General Shunroku Hata, Commander-in-Chief of the Japanese Army in Central China, has returned to Japan and that he will be relieved by a younger General whose name has not as yet been announced.

The Japanese Army, having completed the repair of the Canton-Hankow railroad from Wuchang south to Yochow, opened train traffic between the two cities on the 1st of January.

POLITICAL

WANG CHING WEI: The abrupt departure of Wang Ching Wei, chairman of the Central Political Council and Deputy Chief Executive of the Koumintang from Chungking for Hanoi, French Indo-China, has given rise to considerable speculation. The Japanese interpreted his leaving as an offer of General Chiang Kai-shek to negotiate peace with Japan.

Continued speculation, concerning Wang, was having a detrimental effect upon the guerillas, causing them to hover between banditry and true guerilla practices.

All further rumors, were spiked by the Central executive committee on the night of January 1st. The committee, with Chiang Kai-shek presiding, expelled Wang from the Koumintang and further stipulated that he will never be reinstated.

INDO-CHINA

Spurred by the recent extension of loans to China by the United States and England, the French of Indo-China are frantically trying to circumnavigate the Paris restrictions regarding using Indo-China as an arms supply corridor for large amounts of munitions. The latest ruse is to unload freighters anchored along the northeastern coast of the Kwangsi border. Military equipment collected in Liangshan is distributed to Nanning by way of Liuchow in Central Kwangsi, or to Kunming over the recently opened highway linking Kunming and Liuchow by way of Posen in western Kwangsi.

J. S. McNahan
J. S. MCNAHAN
Major, U.S. Marine Corps,
Regimental Intelligence Officer.

030

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

JSM/cm

HEADQUARTERS, FOURTH ARMY
SHANGHAI, CHINA AMERICAN CONSULATE GENERAL

5 January, 1939

JAN 5 - 1939

RECEIVED

R-2 REPORT, PERIOD 0800 3 JANUARY, TO 0800 5 JANUARY, 1939

OPERATIONS

NORTHERN HUNGSI: Chinese troops counterattacked the Japanese forces along the Siu River in the Nanchang sector on January 1st. The Japanese claim that this attack was repelled causing heavy casualties to the Chinese. Farther west near Loki, also on the Siu River, another Chinese attack was repulsed.

HUPEN: A local report claims that the Chinese troops in the Tanchien mountain region of the northern part of this province continue to surrender to Japanese forces in increasing numbers. At the end of December 2,000 are purported to have surrendered in the Hwangan area while 3,000 surrendered in the Lotien sector and 800 at Macheng.

NORTHERN HONAN: A Chinese communique of the 3rd reports a skirmish between Tsinyang (Hankai) and Henghsien in which heavy casualties were inflicted on a Japanese garrison.

In this same area, Sinsiang the juncture of the Pinghan and Taokow-Shinghua railroads was reported attacked by guerillas on the 30th.

HOPAI: According to Chinese information guerillas caused a Japanese troop train to be derailed south of Tientsin between Ringtsi and Tsinghsien on the night of 28 December.

KWANGTUNG: Fighting has again been noted near Tsunghwa, 39 miles northeast of Canton. Engagements have taken place east of Tsunghwa and near Sin Long and Kaohui, south of Tsunghwa where Chinese troops are entrenched. Signs of increasing disorder south and east of Canton has been reported by Chinese returning from the country to the city.

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

AVIATION

OSD letter, May 3, 1972

NARS Date

Japanese aircraft on the 29th bombed the town of Sansheng-kung in western Suiyuan.

From a base in Shansi, Japanese air squadrons raided Yen-an, in northern Shensi on 1 January.

POLITICAL

The Japanese Cabinet has been dissolved during the present crisis. The new Premier is the pro-fascist Baron Hiranuma, President of the Privy Council who has been selected as the new premier.

The crisis first appeared a month ago when the militarist forced through Article 11 of the National Mobilization Act over the strenuous objection of the retiring premier Prince Konoye. This article calls for the militarization of the entire Japanese financial and economic life. This will permit the Army to ride rough shod over Japan's economic structure and eventually mortgage the nation into bankruptcy.

Baron Hiranuma is generally believed to agree with Admiral Nobumasa Suetsugu who is pressing for national mobilization on a political basis. This plan would fuse the two political parties Seiyukai and Kinseito into one National Party thereby making fascism complete.

The Japanese, realize that in order to ease their international situation and win Chinese cooperation they must lift the restrictions that are delaying prosperity. These restrictions while giving the Japanese virtual monopolies on all vital enterprises have practically strangled business in the occupied areas.

030

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

Unimpeachable Japanese authorities state that if Americas note of October sixth had not been publicised, Japan would have met the reasonable demands of this note and even reopened considerable lengths of the Yangtze to merchant ships of third powers.

The Japanese, however, cannot place themselves in the position of appearing to yield under pressure. This would cause them to lose face with the Provisional and Reformed Governments. Such yielding would undoubtedly be interpreted by the Chungking regime as weakness, causing the Chinese to resist with renewed vigor.

The objectionable restraints, in the occupied areas of China must remain until such time as the American and British governments follow the example of other governments making equally vehement protests. These governments handed their notes to the Japanese Ambassadors in their respective capitals, where they were then coded and cabled to Tokyo without any public furor. This method enables the Japanese to meet the demands of third parties without losing face, by appearing to yield under pressure.

Leading Japanese statesmen fear that with the U.S. Congress in session and the constantly more harshly worded notes, plus the public utterances of jingoes, relations will be increasingly strained. America thereby frustrating attainment of own desires.

ECONOMIC

The frame work for the advancement of the "Yen Block" policy has been completed. The two chief instruments of this policy are the North China Development Company and the Central China Rehabilitation Company. These two companies, both official organizations, are coordinated under the Asia Development Board. All Japanese enterprises in China, with the exception of banking organizations, will be subsidized and directed as subsidiaries of these two companies.

The North China Development Company is capitalized at Y. 350,000,000, in 7,000,000 shares. The stock being divided equally between the government and the public. Under the presidency of Mr. Otani, formerly Colonial Minister, the company will direct the economic exploitation of the five northern provinces. The field of activities of this company include transportation, ports and harbours, tele-communications, radio broadcasting, electric power transmission, mining and the salt industry.

The Central China Rehabilitation Company is capitalized at Y. 100,000,000 in 2,000,000 shares. The company is, in organic structure, identical to the North China Development Company. The company's objectives to carry out the economic resuscitation and expansion of Central China. All Japanese companies in Central China will be financed and directed as subsidiaries of this company. The company and its subsidiaries will be given a monopoly on rail transportation, communication, electric power supply. Every effort will be made to increase mining and revive the aquatic industries. According to Mr. Kodama, the president of this company, the restoration of Central China's four Railways, will be given precedence above everything else.

The Asia Development board has submitted to the cabinet a project called the Far East Asia Defense and Industry Expansion Plan. This plan calls for the development of national defense and key industries, in the three countries making up the "Yen Block", to the extent that by 1941 the Japanese Empire will be self-sufficient.

MISCELLANEOUS

Lieutenant General Gotozo Yamada has been appointed Commander-in-Chief of the Japanese Army in Central China in place of General Shunroku Hata.

The new Sikong Provincial Government was inaugurated on January 1st with General Liu Wen-hui heading the Sikong provincial Government Committee.

J.S. McMAHAN
Major, U.S. Marine Corps,
Regimental Intelligence Officer.

1307

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

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HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

OSD letter, May 3, 1972

NARS Date

7 January, 1939

RESTRICTED

1973

R-2 REPORT, PERIOD 0800 5 JANUARY, TO 0800 7 JANUARY, 1939

OPERATIONS

SHANSI: Japanese troops continuing mopping-up operations. Japanese forces occupied SIANGNING and KIESIEN on December 31st. MAFENGTAI, LUCHENG, and FEICHENG are reported to have been occupied by Japanese. Japanese artillery bombed Chinese positions on the west bank of the YELLOW RIVER.

On 25 December Japanese forces launched a general attack in five columns.

The first column based at FENYANG and HSIACI attacked SHIEN and SHIENSIEN. The head of this column reached SINWAN and crossed the YELLOW RIVER where the TALI and JUTING rivers join the YELLOW RIVER in SHENSI.

The second column, based at LINFENG marched towards PUHSIEN and TALING via HEILUNGKIAN.

The third column, based at SINGLING, marched westwards and then joined the second column at HEILUNGKIAN.

The fourth column, based at HOUA, CHUWU and SINCHIANG, marched northwest and occupied SANCHUAN and CHUANCHANG. This column is being opposed by two Chinese forces, one from the north via KUNCU and the other from the south via CHIWANSHAN.

The fifth column, based at HOTSIN, north of the junction of the FEN and YELLOW RIVERS pushed northwest towards YULIN, but is reported to have been stopped by the Chinese. The fifth column then divided, one force pushing northwards and attacking SILOCHUANWO, and the other force attacking HSIANGNING in an effort to join the second Japanese column at TALING.

Chinese artillery on west bank of YELLOW RIVER shelling KONGCHEN vicinity in effort to thwart Japanese crossing.

HUNAN: Unimportant skirmishes reported southeast of YOCHOW.

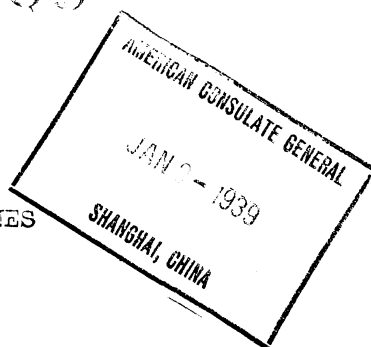
FUKIEN: January 4th, two Japanese warships, while anchored off HWEIAN, shelled the coast in that area.

HONAN: Guerillas effectively harass Japanese forces in HWAIIYANG region eighty-five miles south of LANFENG.

SOUTHERN Kiangsu: Chinese guerillas active in HAILIEN and CHITUNG areas.

NORTHERN Kiangsi: On January 3rd, Japanese troops attacked on south bank SUI RIVER.

SOUTHERN KWANGTUNG: Combined Japanese army and naval forces are engaged against three thousand Chinese irregulars in the PEARL RIVER delta, southeast of CANTON. On January 5th, several Japanese warships and one aircraft carrier were stationed off the island of WAICHAO, south of PAKHOI. 300 Japanese troops landed on WAICHAO island from these ships.



0304

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

25

IN EASTERN SHANTUNG: Unverified report states that three thousand puppet troops in KIACTUNG peninsula revolted and announced loyalty to the National Government.

ANHWEI: On January 1st, Chinese guerillas retook FANCHANG, southwest of WUHU. On January 2nd, small contacts occurred near WANCHIH on the highway between WUHU and SUANCHENG.

MISCELLANECUS

On January 2nd Chinese riflemen dynamited bridge number 130 of the Shanghai-Hangchow railroad.

Reliable Japanese source states that HONGKEW area will be reopened in about a week. This area will be constantly patrolled. Foreigners will not be molested.

POLITICAL

The new Japanese Cabinet while pledged to follow out the policies of former Premier Konoye, are in fact preparing the ground for the enforcement of the remaining sections of the Mobilization Act. The main objective will be the complete control of Japanese economy to permit the necessary increase in the Military Expenditures. The present plans do not call for new taxes at the present, but in the near future the revision of the entire tax system. The removal of Admiral Nobunasa Suetsugu from the Home Ministry has undoubtedly improved domestic relations.

ECONOMIC

The Japanese in their attempt to destroy foreign concessions, are planning a much more strenuous exchange control. The Provisional Government announced that from the 20th of February Chinese currency would face a forced devaluation of forty percent.

This represents an increase of thirty percent, the first being enforced seven months ago. The devaluation will make the acceptance of Japanese military script almost mandatory.

M. D. Gustafson
Capt. U.S.M.C.

for
J.S. MONAHAN
Major, U.S. Marine Corps,
Regimental Intelligence Officer.

JSM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA.

13 January, 1939.

R-2 REPORT JANUARY 7th-JANUARY 13th, 1939.

MILITARY

EO. 11652, Sec. 3(E) and 5(D) or (E)

TROOP MOVEMENTS

CSD letter May 3, 1972

NARS Date

Mar 19, 1973

During the past two weeks operations on all fronts have appeared to be at a standstill. Hostilities in both the north and south have been of a sporadic nature rather than conducive to planned objectives.

Two operations, however, stand out in importance. The first is the Japanese move westward towards the YELLOW RIVER from the TUNGPU railway in western SHANSI. Their main line appears to extend north and south from SHIHLU to HULU respectively. This advance, which reached FUFENGLEN, was resisted by Chinese flank attacks.

A Chinese counter-offensive occurred in the north following the arrival of crack troops from undisclosed northern areas, resulting in driving the Japanese back to former positions along the TUNGPU Railroad.

The second operation is that of the Chinese offensive, directed by General LIU CHIEN-HSI, commander of the 28th Army against HANGCHOW in which the 62nd Chinese Division took the most active part. Troops which landed on the coast and those from the south and west have been repulsed but severe fighting is continuing north of the city as 10,000 Chinese remain scattered over a wide area in that quarter.

The new Fourth Army of 4 divisions (20,000 men) is operating along the YINGTLE from KAMING to ANMING and in the hills to the north and south.

The Fifth Army, composed of the 5th and 61st infantry divisions, in addition to the 200th infantry division, has been transferred from the SHACKMAN sector of KWANGTUNG to CHANGSHA. The 58th Army has arrived in the same sector from the KWANGTUNG-HUNAN border.

Japanese forces in northern HUNAN have been suffering severe setbacks in the vicinity of YCHOW.

Three to four thousand Chinese troops are reported to be holding positions in the KULING hills and TAPIEH mountains.

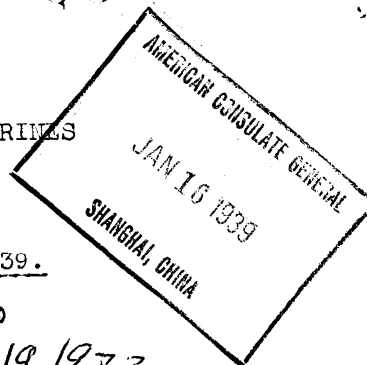
Chinese guerrillas continue to operate behind the Japanese lines. The Japanese mopping-up operations throughout the province of SHANSI have been of little avail. The natural terrain of the territory has proven advantageous to the native troops while the Japanese are said to be of insufficient numbers to garrison or maintain political sway, or military control in the regions through which they pass.

The training and preparation of fresh Chinese troops is becoming extensive throughout the provinces of HUNAN, KWANGSI, KWEICHOW and eastern Szechuan.

ENGAGEMENTS

KWANGSI:

A counter-attack on the Japanese lines along the SUI RIVER sector, west of LING POYANG, was launched by Chinese forces con-



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

27

sisting of the 98th, 105th, 107th and 118th Divisions. The Chinese began their offensive at midnight, January 3rd-4th. At daybreak, Japanese troops supported by artillery counter-attacked. Chinese were pushed back to their original positions on the west bank of the river.

2,000 Chinese attacked Japanese outposts northwest of LOKI, 45 kilometers west of TELIAN on the LIUKIANG-HANCHANG railway, but were repulsed by the Japanese. Japanese claim that units from the Chinese 3rd, 9th, and the newly organized 4th, Divisions took part.

CHEKIANG:

HANGCHOW was attacked by about seven thousand troops of the 28th Chinese Army during the first week of January. This attack was in four columns. One column of 2,000 soldiers of the "Anti-Japanese Self-Defense Corps" crossed the FUCHANG RIVER and advanced north towards HANGCHOW. This column was attacked at LINGCHIAOCHIA and was driven back to their former positions. Advance information of the impending attack was received by the Japanese who had time to get their artillery in position and thus were able to inflict heavy casualties. The second column of about 1,000 advanced on HANGCHOW from the northwest but were driven back to their fortified positions in the hills 20 miles from HANGCHOW. The third column of 3,000 belonging to the 62nd Division were met at SINGLOCH near HANGCHOW by the combined Japanese garrisons from HANGCHOW, HSUCHOW, and LASHING, and, with the aid of Japanese Army planes, were turned back. The fourth column attacked from WUKING but meeting strong resistance retired. Fighting is still going on northwest of HANGCHOW.

All Chinese troops were commanded by General LIU CHIH-HSU, Commander of the 28th Army. During and immediately following this attack on HANGCHOW, the following towns were bombed by the Japanese Army planes: WUKING, HUCHEN, LIEN, TAYUANCHEN, and TUNGYUANCHEN, all of which are within sixty kilometers of HANGCHOW. Part of the Japanese forces used boats in their encircling movements.

KWANGTUNG:

It is estimated that there are about 1,500 Chinese marines stationed in the LINFASHAN forts which lie on the south side of BUCCO TIGRIS. These forts were captured by the Japanese about the time of the fall of CANTON, but were later evacuated. The Chinese have been spending large amounts of money in erecting concrete fortifications. It is reported that some heavy guns have been mounted there.

During the last week of December these forts were attacked from land, river and air, by the Japanese. Although seventeen "positions" along the river bank have been captured by the Japanese there are many more "positions" further back and have apparently withstood the bombing and bombardment so far.

There are no more than 60,000 Japanese troops in KWANGTUNG and all of these are in the CANTON area.

Artillery firing often can be heard from SHANGHAI indicating that Japanese outposts are being continually attacked by Chinese irregulars.

GUERRILLA WARFARE:

General HUI TUNG, (ex robber chief) commands about 1,000 men, and has caused the Japanese much worry and many casualties

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

28

in and around SHAN. JILIU was unsuccessfully attacked by guerrillas. HOONSHAN on the WEST RIVER was captured by the Japanese early in December but since that time it has been lost to the guerrillas and retaken several times. As usual in cases like this one, the Japanese garrison is too small to hold the town.

Guerrillas continue to harrass the Japanese in northeast KIANGSU. Japanese have landed several contingents of Japanese Blue-jackets at CHEIFOC and these naval parties have gone inland to combat the guerrillas. The use of naval personnel points to the fact that few Japanese army are in KIANGSU. SUNCHIASHAN and LIENYUNCHANG, KUENT YUNTAI, SUCHENG are scenes of actual guerrilla contacts.

A contact between 2,000 guerrillas and two Japanese units took place along the LIULI RIVER east of TSUNGFA, 60 kilometers north-east of CANUK, Chinese routed.

Japanese attacked entrenched Chinese guerrillas near SINGKONG and LACHUI, south of TSUNGFA. Chinese were routed.

Chinese guerrillas continue harrassing Japanese troops in SHANSI province. The mountainous terrain of SHANSI is perfect for guerrilla warfare. Japanese troops have been "pacifying" SHANSI for more than twelve months.

AREAS AND TOWNS BOMBED BY JAPANESE:

LEHTAUCN, in northeast KIANGSU and several villages in this vicinity "which were used as military bases", but it is believed that these bombings were retaliatory measures because of Guerrilla activities.

YEUNGKONG, in southwest KANGTUNG.

Several "military boats" near KWONGCHICHI and TUNGPINGLIANG were destroyed by incendiary bombs. Several warehouses near the latter town were also destroyed by burning.

Several "military motor cars" on a highway south of TAISEAN in southern KANGTUNG were machine-gunned by Japanese planes.

A "military junk" of about 300 tons, just east of KUCHOW, was damaged by incendiary bombs.

A factory at KUUNGSEAN was blown up and a group of Chinese transports on the CHINGHIEH RIVER were attacked by Japanese naval planes.

PAIKOI was raided and several "small military junks" in the harbor were damaged and scattered.

The Chinese military barracks at NAITING were damaged by Japanese naval planes in spite of anti-aircraft fire from these barracks.

Near HAKSIEN, LEITSUN and NGCHUN Japanese naval planes used incendiary bombs on several "warehouses".

KWEILIN was subjected to incendiary bombs. Several newly built warehouses near the railroad station were damaged. Two-thirds of this city is in ruins.

The new Chinese airdrome at KIAN was badly damaged. Many "military junks" near an unnamed village on the river south of KIAN were bombed and some were set on fire.

The TANGYUN station south of KANGCHANG was bombed.

In northeast SHENSI two Japanese army squadrons raided YENCHIAN and TSINGHIEH. In central SHENSI heavy damage was inflicted on Chinese troops at YENAN by the same squadron.

In HUPEH 15 Japanese planes bombed SIANGYING.

SHASI, in southern HUPEH, was bombed on January tenth, for the first time, by Japanese airplanes since the Sino-Japanese hostilities began. Two 200-lb. bombs were dropped, destroying the American Mission Church, a Primary School and seven civilian houses.

0309

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

29

2 persons killed, nine seriously wounded and 20 slightly hurt.

On December 30th, the American Southern Baptist Mission Hospital in KAILIN was destroyed by Japanese aircraft incendiary bombs. There were no casualties.

In NINGHSIA two Japanese planes bombed the Catholic Church, the Mission Girl School, the Mission Hospital, and the residential compound--all in KANSTUNG. No loss of life reported.

YUANMIN and FUSHA in CHENKING were raided. On January 10th, CHUNGKING was bombed for the fifth time by 18 Japanese bombers. All bombs dropped outside the city and the consequent damage was negligible.

POLITICAL

The Japanese, in view of the tense situation in both America and Great Britain, are anxious to begin their policy of appeasement in Central China.

Japan believes that if she lifts the present obnoxious restrictions, she may avert the threatening economic war with the Western Powers. The Japanese realize, however, that in lifting the restrictions it must be made to appear as part of the magnanimous appeasement policy of Japan and not weak-kneed yielding under pressure from Washington and London. For if the later interpretation should become current, her hold over the Puppet Regimes as well as her domestic tranquility would vanish.

On January 9th the Japanese made the first concrete move in an attempt to extricate themselves from this delicate situation, when they notified foreign correspondents of their intention to grant big concessions. These concessions consist of the reopening of the SOOCHOW CREEK bridges, the reopening of all HONGKOW, two-thirds of YANGTSZEPOO and permission for the Shanghai Conservancy Board to resume dredging operations.

With the opening of HONGKOW, the settlement police will return in full prewar strength and will be held responsible for the maintenance of law and order. In conjunction with the Police the Japanese marines will still patrol the streets reserving the right to halt Chinese at anytime. The Chinese will still be required to have passes in their possession and produce them on demand. Those without passes will be turned over to the police for deportation out of the Japanese controlled sector.

The Settlement police will introduce the continental European system, under which every resident must register with the police. This system also requires the head of each household to hold himself responsible for the good behaviour of all the members of the family and all others to whom he may give lodging.

The Japanese Army and Navy will maintain sentries on the SOOCHOW bridges but will not halt traffic, nor demand chauffeurs to show passes. Japanese sentries will still control the ends of all streets leading out of the HONGKOW and YANGTSZEPOO SETTLEMENT areas into CHIAI, LINGAI and other adjacent Chinese territory. The area down the river from the Shanghai Water Works Plant will remain closed for the time being.

Americans and others of obvious Third Power Nationality, will be permitted complete freedom of movement, or residence in the newly opened areas. The Japanese will still maintain the one to five a.m. curfew. Similar curfew regulations now prevail in non-Japanese sectors of the International Settlement.

The new concessions will permit the Conservancy Board to resume dredging operation, suspended since August 15th, 1937. This while not immediately affecting so many people, is imperative if SHANGHAI is to remain the greatest seaport in Eastern Asia.

The heavily silting river has already formed many perilous bars which threaten to make the river unsafe for ocean going vessels. Should this condition be allowed to develop SHANGHAI's vast wharfage properties would soon be valueless. Shippers would have to load or unload their cargoes at the mouth of the river eighteen miles downstream.

The main dispute between the Japanese and the Conservancy Board was the insistence of the latter that they be permitted to dredge any place any time they chose, while the Japanese naval authorities insisted emergency naval requirements demanded that dredgers operate only in areas under the Navy's approval. This contention was made in view of the quick maneuvering required of Japanese destroyers in the event of guerrilla attacks upon the SHANGHAI area. Should they permit the dredgers to operate without regard to naval requirements the channel might often be blocked with dredgers in time of emergency. This dispute was settled in favor of the Japanese.

The foreign correspondents were pledged to give no word of the Japanese intentions to the local press. The Japanese wanted no word of their intentions made public until such time as they could get the reactions, by cable, of the American people as mirrored in the press. Their positions being: "If foreign newspapers print derisive editorials over the news of the opening of the northern districts etc., and if these are cabled back to Japan we'll never be able to open the river, or make further concessions."

INDO-CHINA

The Chinese have secured French cooperation to the extent that the HAIPHONG-YUNNAN Railway may now be used to transport war materials that do not fall in the category of munitions. The railway is now operating at full capacity, transporting airplanes, trucks and gasoline. The railway, even though running at full capacity, is unable to transport these supplies at the rate they are becoming increasingly congested.

The French policy in regards to this railway seems to follow the pattern established in their dealings with the Spanish Loyalist, vacillating sharply between almost unlimited cooperation and total prohibition. It is this unpredictableness that is most exasperating to the Chinese.

Of intense interest is the BURMA-YUNNAN highway (see map) and just when it will be in shape to support the heavy traffic, that an uninterrupted munitions supply, to the Chinese, will demand.

The importance of this road to the Chinese cause cannot be over emphasized. Reports state that munitions are arriving in RANGOON at the rate of 5,000 tons per week, and because of the inadequacy of the road, only 50 tons per week, are being transported into China. This condition has already caused 20,000 tons of munitions to pile up in RANGOON awaiting transportation.

M.R. Johnson, American Ambassador, recently traversed the new road from CHUNGKING to RANGOON, a distance of 2,100 miles in twelve days of travel. He reported the road to be of excellent surface and well graded. The road is wide enough for two lanes of traffic and is constantly being widened.

-3-

031

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

31

INDO-CHINA (continued)

The chief defect of the road lies in the poor bridges. The bridges are mostly of wood, though rapidly being replaced by stone. As yet nothing heavier than a five ton truck has gone over the road and only with difficulty.

Work on the YUNNAN-SUIFU Railway has been started. The plan is to push this through at the earliest possible date and then to extend a branch to KWEIYING which it is expected will be connected from the east by that time with the KUNINGSI line.

ECONOMIC

Japanese sources on the tenth of January claimed that Formosan Sugar was dominating the local market to the extent of a near monopoly. The report claimed that 1,000,000 piculs had been imported.

This report is only of interest when compared with the report of the Chinese Maritime Customs report. This report states that up to October 1938 there have been no local imports of Formosan Sugar. And during the month of November the imported Formosan Sugar was only valued at 2,040 which represents less than half percent of the total value of the local sugar imports.

Under the Anglo-Japanese Customs arrangement, the Japanese obliged themselves to discontinue all smuggling in CHINA. And to submit their imports to Customs examination and to the payment of Customs duties.

Japanese smuggling actually has been continuing on a large scale. But the Japanese have always maintained that those goods, which they do not import through the Customs, constitute military supplies.

Early last year the Formosan Sugar interest bought themselves into the KAMING puppet regime and immediately afterwards started to smuggle sugar openly in large quantities. This is, however, the first time the Japanese have admitted smuggling goods in violation of their agreement.

Under orders from the Ministry of Finance, the Japan Shipping Autonomous League, comprising five firms cancelled their contracts for foreign vessels.

This order seems to indicate that the Japanese are experiencing an acute money shortage. The cancelling of foreign shipping will ensure money spent for this purpose will remain in the Empire.

This order affects the Nitsui Bussan Kaisha, the Yamashita Eisei Kaisha, the Nohsai Eisei Kaisha, the Daido Shipping Company and, the Kawasaki Eisei Kaisha.

TIENTSIN

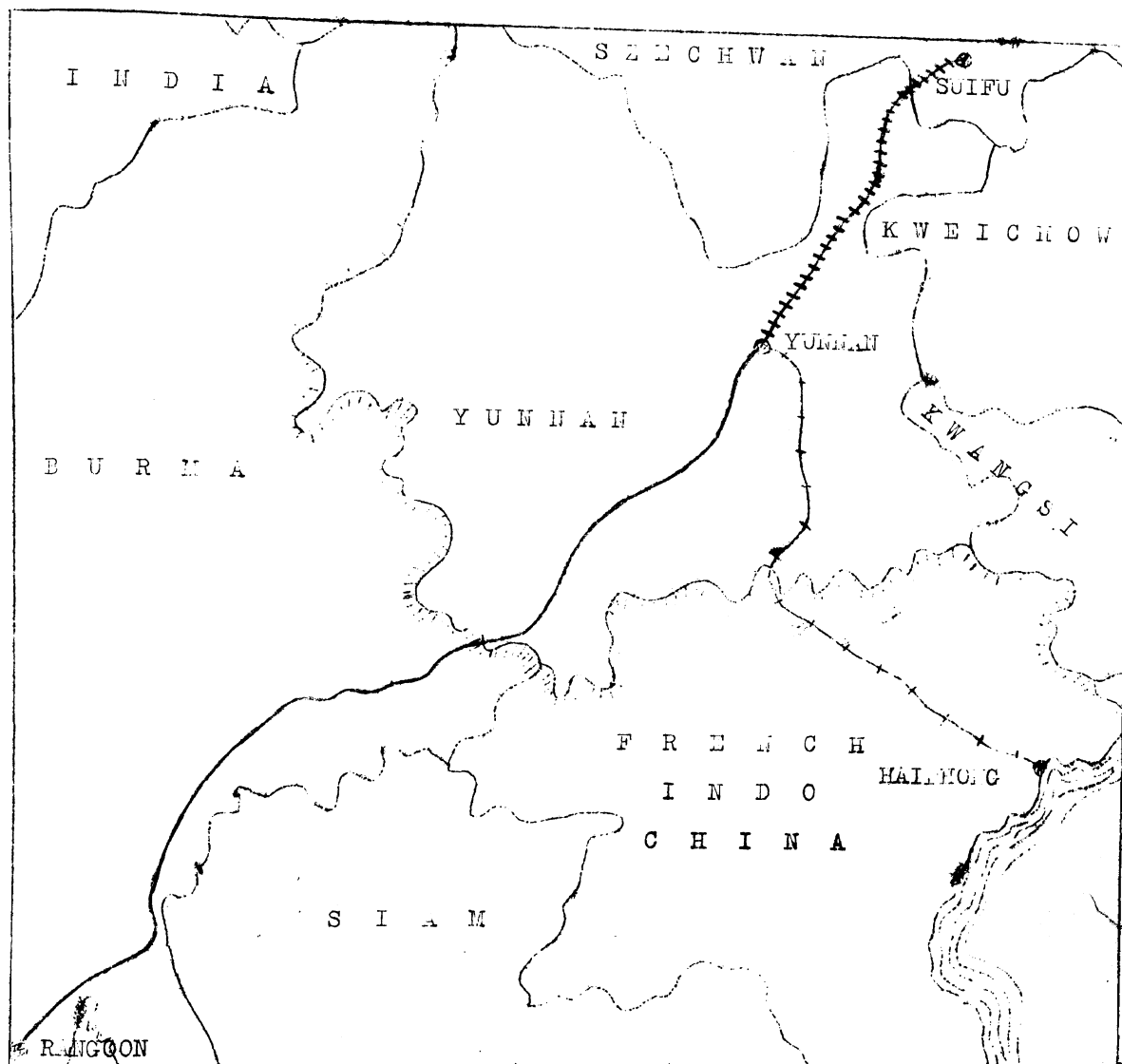
In the last month TIENTSIN has experienced a state of semi-siege. The Japanese under the pretext of eradicating anti-Japanese and Communistic activities, have stationed men at all exits. These men have been used to disrupt trade and thereby tend to force political capitulation.

The Japanese authorities are preventing the shipment of furs, wool and other merchandise from the interior into TIENTSIN, denying the native dealers and shippers transportation facilities, and preventing foreign merchants from purchasing and dealing in these particular lines of merchandise.

J. S. LORAN
Major, U.S. Marine Corps,
Regimental Intelligence Officer.

131

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



YUNNAN-SUIFU R.R. UNDER CONSTRUCTION +++++
BURMA-YUNNAN HIGHWAY ———
YUNNAN-HAILONG R.R. +---+
CHINA BORDER =====

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

DEPARTMENT OF STATE

~~SECRET~~
DIVISION OF FAR EASTERN AFFAIRS

March 15, 1939.

~~SECRET~~
Reference Tsingtao's despatch no. 252
of January 21, 1939, entitled "Effect of
Japanese Restrictions on Tsingtao's Export
Trade".

The report under reference encloses a
copy of an editorial explaining that the
large increase in the exportation of
bristles from Tientsin in 1938 is due
chiefly to the fact that the trade was
diverted from Tsingtao as a result of the
export and exchange restrictions estab-
lished there. Consul Sokobin points out
that various other commodities, for
example peanut oil, have been similarly
diverted to Tientsin.

You may be interested in noting the
table, which constitutes enclosure 2.

(The diversion from Tsingtao to
Tientsin will probably not occur to any
great extent in the future in as much
as export and exchange restrictions have
already been adopted at Tientsin.)

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

NO. 252.

RECEIVED
AMERICAN CONSULATE

Tsingtao, China, January 21, 1939.

SUBJECT: Effect of Japanese Restrictions on Tsingtao's Export Trade.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to refer to this consulate's telegram no. 27 of December 1, 1938, 7 p. m., in which a review of political conditions for November was given and in which the following appeared:

"Five. Japanese merchants have made representations to their authorities in regard to deflection of trade which formerly flowed to Tsingtao but which has been deflected to Tientsin as a result of local restrictions."

In this connection there is transmitted herewith a copy of an editorial which appeared in today's issue of the local English newspaper, THE SHANTUNG DAILY NEWS, entitled "Tsingtao's Bristle Trade".

The editorial deals with the deflection of one feature of the trade of Tsingtao, but it is a matter of public knowledge that the trade of other articles has in recent months been diverted from Tsingtao to Tientsin. Thus, for example, this consulate has been informed

OFFICE OF THE ADVISOR ON
INTERNATIONAL ECONOMIC AFFAIRS
MAR 20 1939
DEPARTMENT OF STATE

NOT TO BE PUBLISHED AS
OFFICIAL INFORMATION.

Division of
EASTERN AFFAIRS
MAR 2 - 1939
Department of State

DEPARTMENT OF STATE
MAR 10 1939
A-M/C
ASSISTANT SECRETARY
OF STATE

A-M/C
READING DESK
MAR 10 1939

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F/F G

14763

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

- 2 -

informed that even such an article as peanut oil, the trade in which has for long been centered at Tsingtao where tanks for storage are available and where large steamers with tanks can enter the harbor and tie up at docks where the peanut oil can be pumped into the ship's tanks, is now being shipped out of Tientsin in such quantities that at least one German firm has found it profitable to purchase a special type of lighter required there because of the navigation problems at that port.

There is enclosed a declared export return for this consulate, showing the extent to which the trade of certain articles has declined. It cannot be said that the decrease is entirely due to the deflection of trade, but undoubtedly other factors such as conditions in the interior, shipping, currency and transportation have had their effects; in respect to bristles there is little question that the trade has gone to Tientsin for the reasons pointed out in the editorial. In 1937 there were declared at this consulate for export to the United States shipments of bristles totaling 328,133 pounds valued at \$809,259.00 U. S. currency while in 1938 shipments of bristles to the United States totaled only 9,176 pounds at \$24,221.00 U. S. currency. To some extent, however, conditions in the United States in the bristle trade may have been responsible, but the effect of Japanese policy has without question

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

- 3 -

question been chiefly responsible.

Respectfully yours,



Samuel Sokobin,
American Consul.

Enclosures:

1. Copy of editorial, January 21, 1939.
2. Declared export return.

690/610.21
SS/CHS

Original and 4 copies to Department,
Copy to Embassy, Peiping,
Copy to Embassy, Chungking,
Copy to Embassy, Tokyo,
Copy to Consulate General, Shanghai,
Copy to Consulate, Chefoo,
Copy to Consulate, Tsinan.-Tientsin.

0317

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

Enclosure No. 1
Tsingtao despatch no.

SHANTUNG DAILY NEWS, Tsingtao, China,
Saturday, January 21, 1939.

TSINGTAO'S BRISTLE TRADE

Tientsin has just completed a record year in the export of bristles. During the year 1938, about 30,000 cases were shipped from that port, the highest number in the past five years.

These figures were quoted by the Chairman of the Tientsin Bristle Association in his report at the Annual General Meeting a few days ago. But the Chairman went on to say that the enlarged Tientsin exports were due to the control of exports from Tsingtao and the consequential shift of the former bristle trade from this port to Tientsin.

The Chairman reported on the general situation as follows:

"Bristle shipments from Tientsin this year have been greater than any year during the past five years, totalling slightly more than 30,000 cases.

"One of the main reasons for this increase has been the control of the Export Trade at the port of Tsingtao, which has caused a quantity of Shantung materials to be diverted to Tientsin.

"Export Statistics tend to show that exports from Tsingtao have decreased in ratio with the increase from Tientsin.

Co-operation Needed

"It would be wrong of your Committee to endeavour to give you an opinion as to the future of the bristle trade from or in the consuming markets.

"The amount of work and technical knowledge required in preparing a shipment of bristles for export would certainly seem to entitle the shipper to a reasonable profit.

"But when the average shipper has to compete with people who not only boast of doing the business for nothing but also calculate an optimistic rate for the purchase of the necessary new currency, the trade here suffers and buyers in the home markets are the only ones to benefit, providing always that the people who are foolish enough to do business for less than nothing are sufficiently expert in the trade to ship proper quality cargo.

"Owing to the severe penalties suffered by people who either through ignorance or design have shipped adulterated cargo the practice of adulteration has

tended

0318

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

- 2 -

tended to decrease in Tientsin during the present year."

From reliable figures compiled in this port, we find that the export of Bristles and Riflings from Tsingtao during 1938 was 2,794 cases, the volume of exports decreasing steadily from 1st August when export control was first inaugurated. In 1937, 11,775 cases were exported through this port.

Furthermore, it is estimated that the usual quantity, equivalent to 15,000 cases, was collected in the Weihsien district, so that the blame for this striking shrinkage in the export of Bristles from Tsingtao cannot be laid against the lowly Shantung hog. The Weihsien figures would point to a deviation of 10,000 cases, more or less, to Tientsin at the expense of Tsingtao. Since last autumn the Bristle export from Tsingtao has still further shrunk, and is now conspicuous by its absence.

"Markets" are temperamental affairs, and we would ask the economic experts who have been ordained with the delicate task of maintaining the foreign currency transactions in North China not to lose sight of the fate of the former Tsingtao strawbraid trade.

Prior to August 1914 this port enjoyed a steady and lucrative trade with foreign countries in strawbraids. In December 1914 the market was suddenly transferred to Tientsin and it has never returned, and that in spite of the fact that the centre of production for strawbraids has remained not more than seventy miles from Tsingtao.

It would be a great pity if means cannot be evolved whereby the Bristle export from Tsingtao, normally worth anything up to \$3,000,000 annually, cannot be fostered during this present critical period, and we trust that the authorities concerned will devise means so that foreign markets will not be irrevocably lost.

* * * * *

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

3/6

~~SECRET~~
Shanghai's 1966
merely confirms
previous telegram
from Chiao (attached)
To initial & file
JKP

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

NO. 1966

RECEIVED
DEPARTMENT OF STATE
AMERICAN CONSULATE GENERAL,

1939 Shanghai, China, February 3, 1939.

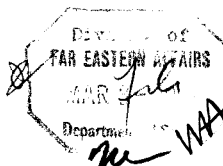
CONFIDENTIAL.

DIVISION OF
COMMUNICATIONS
RECORDS

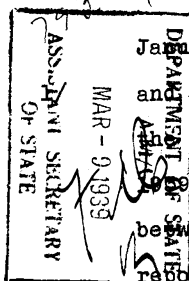
For	M	U.S.A.
Smith		

SUBJECT: Displacement of British and American
Officers of the Chinese Maritime Customs
Cutter "HAICHENG".

THE HONORABLE
THE SECRETARY OF STATE,
WASHINGTON.



SIR:



I have the honor to refer to telegram No. 9 of
January 28, 12 Noon, from the American Consul at Chefoo,
and to enclose a copy of a letter addressed to me by
Inspector General of Customs dated January 30,
transmitting copies of an exchange of telegrams
between him and the Commissioner of Customs at Chefoo
reporting further developments in the matter of the
seizure at Chefoo of the Chinese Maritime Customs
Cutter "HAICHENG" by the Japanese Naval Authorities,
and their demand for the displacement of the two foreign
non-Japanese officers of the vessel, including First
Officer Mr. T. W. Joyce, an American citizen.

In this connection reference is also made to my
despatch No. 1802 of November 7, 1938.

Respectfully yours,

C. E. Gauss
C. E. Gauss,
American Consul General.

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RECEIVED
MAR 10 1939

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132
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

-2-

Enclosure:

- 1/- Letter from Inspector General of Customs,
with enclosure, dated January 30, 1939,
to American Consul General, Shanghai.

620
HHS/hk

In quintuplicate to the Department.
Copy to American Embassy, Peiping.
Copy to American Embassy, Chungking.
Copy to American Embassy, Tokyo.

4 7P

132

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

Enclosure No. 1 to despatch No. 766 from C. E. Gauss,
American Consul General, Shanghai, China, dated February 3,
1939, on the subject: "Displacement of British and American
Officers of the Chinese Maritime Customs Cutter "HAICHENG".

C O P Y .

Shanghai Office of the
Inspectorate General of Customs,
421 Hart Road.

Shanghai, 30th January, 1939.

CONFIDENTIAL.

Dear Mr. Gauss:

With reference to previous correspondence on the subject of the seizure by the Japanese Naval Authorities of the Customs Cutter "Haicheng" at Chefoo, involving the displacement of the Commander Mr. G. A. Angus (a British subject) and the First Officer Mr. T. W. Joyce (an American citizen), and to my letter of the 31st October last year enclosing copy of a letter to the British Ambassador, which expressed the view that in order to facilitate an improvement in local conditions, it was desirable that the above officers should be transferred elsewhere, I now enclose, for record, copies of a telegram dated 27th instant received from the Chefoo Commissioner, with my reply thereto.

Yours sincerely,

(Signed) F. W. Maze.

C. E. Gauss, Esquire,
American Consul-General,
SHANGHAI.

Copied by: *hh*
Compared with: *RK*

132

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

C O P Y .

CHEFOO TELEGRAM NO. 354/I.G. DATED
27TH JANUARY 1939.

Under extreme pressure to transfer Angus and Joyce
from port. Have I your permission to comply?
Letter follows.

Monikura - 354

I. G. TELEGRAM NO. 483 IN REPLY TO ABOVE
DATED 27TH JANUARY 1939.

Your telegram No. 354 official action must await
full particulars.

Maze.

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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 890.00/132 FOR Memorandum
 State Department
 Far Eastern Div.
 FROM (Salisbury) DATED Feb 23, 1939
 TO NAME 1-1127 ...

REGARDING: Situation in the Far East: Sino-Japanese conflict.
 Review of past week, in summary.

793.94/ 14765

FRG.

1325

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Shanghai/124 FOR #1982

FROM Shanghai (Gauss) DATED Feb. 4, 1939
TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations as related to Shanghai district:
comments on subject.

wb

793.94/14766

793.94
14766

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

3. Japan.

a. Formation of New Japanese Cabinet. The formation of a new Japanese cabinet headed by Baron Hiranuma, a Japanese politician well known for his reactionary views and subservience to the Japanese military, was noted locally with misgiving. Fears were expressed by the local press and informed observers that a further curtailment of civil authority, the suppression of the conservative elements and a strengthening of the power of the military might be anticipated. The speeches made by the new Japanese Premier and the Foreign Minister before the Diet were felt locally to be anything but reassuring. It was noted that they contained little that had not been said before by Japanese statesmen in recent months but that they were uncompromising in tone, filled with reiterations of Japan's determination to establish a new order in "East Asia", and contained a few veiled threats against those democratic countries who refuse to "understand" the "new" situation.

b. Japanese

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

b. Japanese Propaganda in Behalf of "Peace". During the month the Japanese carried on extensive propaganda in behalf of the peace advocated by Wang Ching-wei in his pronouncements of December 31 and January 8. Leaflets were scattered by Japanese planes over Shanghai and over districts controlled by the guerrillas which reproduced Wang's original peace proposals and quoted in support thereof fictitious telegrams said to have been despatched by the Chinese Ambassadors at Washington, London and Paris. The propaganda scattered over guerrilla territory also exhorted the guerrillas to surrender, inasmuch as peace was assured, and become officers in the new regimes being established. Propaganda in behalf of Wang's peace proposals also emanated from the officials of the so-called "Reformed Government", from other puppet administrations and from the local Japanese press."

Much propaganda was put out through these same mediums in support of the emergence of Wu Pei-fu from political retirement to save the country from General Chiang Kai-shek and the communists. General Wu was repeatedly represented as having accepted this sacred mission and all reports carried by foreign news agencies indicating that General Wu was not prepared to emerge unless the Japanese agreed to his conditions, were strenuously denied by the local Japanese press and the official Japanese news agency.

c. Renewed Activity of Chinese Regulars and Guerrillas. Chinese units of the 63rd Division launched an attack upon Japanese positions in the Hangchow area early in the New Year. The attack was repulsed but it is reported that some damage

* Telegram to Department, no. 37, January 12, 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. Quisenberry NARS, Date 12-18-75

-13-

damage was done to Japanese positions and that fairly heavy casualties were inflicted upon the Japanese. A second attack in the Hangchow area was launched by Chinese regulars later in the month but is understood to have been less successful due to the precautionary measures taken by the Japanese who had heavily reinforced their outposts.

Reports appearing in the local Chinese, Japanese and foreign press, which were largely confirmed by information received from reliable private sources, indicated that the guerillas were unusually active between Shanghai and Hangchow. Several severe clashes occurred in the vicinity of Kashing, which is midway between Shanghai and Hangchow, in which the Japanese suffered rather heavy casualties; from a foreign traveler who motored over the highway between Hangchow and Kashing it was learned that five highway bridges had been destroyed by the guerillas. Several attacks are reported to have been made by guerillas upon Japanese posts in the Shanghai area on January 26, the anniversary of the outbreak of the Sino-Japanese hostilities of 1932. The Japanese announced that they would strengthen their posts and increase the number of patrols in anticipation of guerilla attacks on the occasion of this anniversary. The police authorities of the International Settlement and French Concession also took precautionary measures and were assisted by the foreign defense forces. No untoward incidents occurred in Shanghai.*

4. New Japanese Consul General Arrives. Mr. Yoshiaki Miura, appointed Japanese Consul General at Shanghai in succession to Mr. Shinroku Hidaka, arrived on January 3

and

* Telegram to Department, no. 77, January 27, 7 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

-14-

and assumed charge.* An announcement was made of several other replacements in the staff of the Japanese Consulate General which changes with great frequency resulting in a noticeable slowing up in the handling of the numerous protestation cases referred to the Japanese Consulate General for action; newly arrived members of the Japanese Consulate General invariably plead their unfamiliarity with local conditions and the cases pending.

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

DOCUMENT FILE

NOTE

SEE 893.42/345 FOR #1924

FROM China (Lockhart) DATED Feb. 9, 1939
TO NAME 1-1127 ...

REGARDING: Teaching of Japanese in Chinese schools: Japanese is now
a required subject in the primary schools of Peiping.
Report on subject.

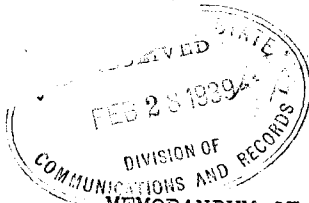
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75



(NOT FOR THE PRESS)
(FOR DEPARTMENTAL USE ONLY)

Department of State
Division of Current Information No. 33

MEMORANDUM OF THE PRESS CONFERENCE, SATURDAY, FEBRUARY 18, 1939

SINO-JAPANESE - HAINAN ISLAND

793.94

At the press conference this morning, Under Secretary Welles said that he had with some regret to make a denial of a newspaper article published this morning (International News Service report under Paris dateline) asserting that it was "Authoritatively learned tonight that the United States has requested Great Britain and France to join in a united naval front for a demonstration of protest against Japan's seizure of strategic Hainan Island." The Under Secretary said that he wanted to give a most unqualified denial of that report and to do so with a great deal of emphasis. He said that the United States has not as a matter of fact communicated in any way whatever with either the British or French Governments with regard to that question and there has been no communication between the three governments insofar as the United States is concerned. Consequently, he said, the rest of the article that is based on that premise is entirely inaccurate.

WRANGEL ISLAND

A correspondent said that a bill had been introduced in Congress yesterday with regard to the establishment of an air base on Wrangel Island and enquired whether the bill had come to the Department as yet. The Under Secretary answered in the negative.

VISIT OF FOREIGN MINISTER ARANHA

Asked to tell something about the situation with regard to the conversations with Foreign Minister Aranha, the Under Secretary said that during the past week there have been a great many questions to consider and a great deal of exchange of views back and forth. He said that he felt that the conversations have proceeded in an entirely satisfactory and helpful manner, but that it was too early as yet to give the correspondents any information because some of the questions have not crystallized as yet. He added that he was hopeful that not later than the middle of next week he would be able to give some very satisfactory information.

Asked whether Mr. Aranha would stay here through next week, Mr. Welles said that he did not know, that it would depend upon the rapidity with which the conversations progressed. A correspondent said that Mr. Aranha had stated yesterday that he expected to see the President again, presumably in two weeks following the President's return from the naval maneuvers, which indicated that he might be here two or three weeks longer. Mr. Welles commented that it was his personal hope that Mr. Aranha would stay a long time. In answer to another question, Mr. Welles said that he expected to see Mr. Aranha some time today.

MEXICAN OIL SITUATION

Asked whether there was any development in the Mexican oil situation, particularly with regard to two representatives of the oil companies going to Mexico City the first of March, Mr. Welles said that there was nothing more on that subject.

M. J. McDermott

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

CHINA INFORMATION SERVICE

HELEN M. LOOMIS, SECRETARY

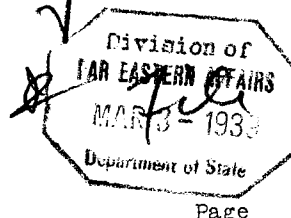
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DIVISION OF
COMMUNICATIONS
AND RECORDS

ISSUE TWENTY
March 1, 1939

Index



Page

Is China Conquered?.....	1
Special Correspondence from the Far East.	
What Japanese Occupation Means.....	4
From Missionary Correspondent.	
The Challenge of China's Youth.....	8
Poem from Missionary Correspondent.	
Far Eastern Publications.....	9
(In answer to many requests)	
Christian Institutions in China Suffer Heavily.....	11

FROM THE SECRETARY TO YOU

CONTRIBUTIONS - In the article "Far Eastern Publications" you will note that the China Information Service is listed with a subscription rate of \$4.00 a year or \$1.00 a quarter. We are actually working on the basis of voluntary contributions, although those are the amounts we suggest to our readers. We continue to need larger contributions to make our work possible. Have you contributed?

EXTRA MATERIALS, BOOKS, ETC. - Back issues are available in limited quantities. Kaltenborn's The Great White War and Leaf's Japan's Gold Rush to America may be obtained upon request. A valuable list "Directory of China Groups in America" has been issued and may be had from Miss V. Russell, 33 West 55th St., New York City.

The author of "The Challenge of China's Youth" has written a "reply" which will be mailed to you if you will send postage.

Livingston Hartley has announced his new book "Our Maginot Line" and draws our attention to the chapter on the Far East. The book will be published on March 10th by Carrick and Evans, New York.

NEWS FROM BURMA - The Rangoon Gazette for Jan. 19th reports the beginning of a trip to China by the Burma Road. Dr. Frank W. Price, one of our editors, is one of the seven who took this trip from Rangoon. Three others joined at the Burma border.

ADVISORY EDITORS: BRANK FULTON, MINISTER, RAINFORD 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., CHUNGKING,
SZECHUAN: DR. FRANK W. PRICE, NANKING THEOLOGICAL SEMINARY, CHENGDU, SZECHUAN

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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. 20, March 1, 1939.

Page 1.

Special Correspondence
From the Far East.
Not for Publication.

IS CHINA CONQUERED?

Readers of Japanese military claims after the fall of Hankow and Canton and of some editorials and comments in American papers might easily gather the impression that China has about been conquered by Japan. Even so astute an observer of the international scene as Walter Lippman boldly declared that the Far Eastern War is almost over. No conclusion could be farther from the truth.

China has lost important railways and waterways, and a large number of key cities especially in north and east China. Her armies with superior numbers and superb courage but with inferior arms and mechanized equipment has lost battles and have retreated from assaulted positions. But China has not lost great areas. Part of the skeleton but very little of the body of invaded territory is actually under Japanese military control.

I heard a high foreign adviser to the Chinese Army say recently, "Japan has lost the war politically, she is losing it economically and she cannot win it militarily."

In modern warfare the army does not fight all the battles. There are many fronts, - economic, industrial, educational, cultural, diplomatic, as well as military. On no front has Japan won a decisive victory and on many fronts China is growing in strength every day.

The military picture shows the Japanese troops holding but a small proportion of the so-called occupied territory. A Chinese government survey reports seven per cent. At the most one-fifth of the towns and cities "captured" are effectively garrisoned by the invaders. More than one-half of the countries in the northern provinces of Hopei and Shansi, where hostilities began, still have Chinese government administrations and cannot be penetrated by Japanese soldiers. Old city walls are being razed so that the Japanese, if they capture a city, cannot hold it easily against the attacks of mobile units.

Trains with Japanese engineers are running from Shanghai to Nanking, a distance of 200 miles, and from Shanghai to Hangchow, a distance of 150 miles, and also from Nanking to Tientsin and Peiping. But hundreds of miles of track between Hankow in central China northward to Peiping or southward to Canton are still in Chinese hands so that though traffic is impossible. Until the recent fall of Canton and Hankow through Chinese trains ran regularly between these cities, in spite of 3500 bombings of the tracks in one year. Repairs were always made within a few hours.

The Japanese armies have won their victories largely on level terrain and where railways, motor roads and deep water courses made transport of equipment and supplies and the conveyance of troops comparatively easy. From the China coast between Shanghai and Canton to the far western interior is a strip of mountainous territory hundreds of miles wide in which not a Japanese soldier can be found. Regular units of the Chinese Army are across the Chientang River 150 miles south of Shanghai and at many points a few miles south of the Yangtze River, and could strike with deadly effect at the narrow staff of the Japanese spearhead piercing central China. Nanchang and Changsha, important cities southeast and south of Hankow have

not yet fallen. Three high officials were shot for prematurely applying the scorched-earth policy to the city of Changsha in November when Japanese troops were still some distance away.

The war has clearly shown that air raids, terrible as they are, do not succeed in terrorizing the people or capturing cities. Infantry attacks are still essential for occupation of positions. The Japanese have attacked and have captured important cities and lines of communication. Why have they not won the war?

One answer is that they have not succeeded in surrounding or destroying the Chinese armies. Chinese casualties have been heavy, more than a million as compared with about 400,000 on the Japanese side. But Japan has always rested after a siege and capture and has not followed up the victories. As a result Generalissimo Chiang has always been able to reorganize his force and to prepare for fresh resistance.

Guerilla warfare behind the Japanese front or hundreds of fronts, may be expected to increase in intensity. The Eighth Route Army in the north and northwest has shown the best organization of mobile units so far. Trustworthy reports from the interior tell of quantities of Japanese ammunition captured and of much serious damage inflicted upon Japanese garrisons and lines of communication. The Fourth Route Army in East China has not been so successful. Often it is hard to distinguish between genuine mobile units and groups of bandits who have come out at a time of disorder to bleed their own people. The guerilla troops in east China lack good young officers with initiative, good discipline and organization. One of their first tasks will be to put down banditry and to win the confidence of the Chinese left in occupied territory. The next few months will see great improvement in organized guerilla resistance in east China. Japan's difficulties in this area will increase tenfold and in central China a hundred fold. For a real military conquest of the area that she claims Japan will need many times the number of troops now on Chinese soil and resources far greater than she has yet invested in her campaign. To Chinese who take the long look and are willing to suffer, Japan's cause seems hopeless.

In spite of reports of treachery at Canton instigated by Japanese authorities, it is becoming increasingly clear that poor military strategy and inept generalship on China's part was rather to blame for the fall of the city. Chinese counter-attacks have made it impossible for Japanese troops to advance far beyond Canton.

With coastal cities captured and supply routes from the sea cut off, China is developing new lines of communication westward, to Burma and to Russia. Supplies are still dribbling in from points on the coast, and in larger quantity through French-Indo-China despite Japanese objections. More and more will enter China through the back doors on the western and northwestern frontiers. There is ammunition on hand for another year of warfare and the Chinese government expects that the new supply routes will make possible an indefinite prolongation of the struggle. And this means indefinite delay of Japanese conquest, a delay which will sooner or later spell disaster for Japan's military leaders.

China is stronger on her economic front than she was a year ago. The war has forced an amazing development of the western provinces. This area will be the food granary, the industrial base, the center of education, and the political stronghold of free China for years to come. Over three hundred factories have been moved to the west and northwest. Mineral wealth is being developed. Thousands of men are working day and night on new highways and railways. Lines of "economic defense" are being formed through industrial cooperatives, and numerous small mobile industrial units. By means of these and also increased agricultural production the Chinese National Government expects to develop a self-sufficient economy even if the nation's cities and railways are all lost. Irregular economic bases are projected along with

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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. 20, March 1, 1939.

Page 3.

the irregular guerilla warfare. Ammunition is being manufactured in unoccupied territory. The Chinese financial structure has bent but has not broken. Exports are being kept up surprisingly well with government aid.

Japan, on the contrary, cannot win the war economically without peace and security and some measure of protection for her program of exploitation. If she does not realize on her conquest she fails. If the Japanese militarists are not able within a few years to fulfill the glowing promises made to their own people of a "new order in Asia" and of wealth pouring back to Japan, we may well expect an economic upheaval within Japan and a perhaps sudden shattering of popular confidence in the present government regime. Japan to win the war must win it quickly, must secure sufficient capital for reconstruction and exploitation and must establish order in occupied areas. But she cannot fulfill any of these conditions. The Japanese war lords have succeeded only in destroying the market for Japanese goods in most of China and have hopelessly alienated business and government leaders in China who might at one time have given them economic cooperation.

Japan has lost the war politically. In China proper she has not been able to set up one autonomous or puppet government under her tutelage that is staffed with able Chinese officials or assistants. The autonomous governments are all made up of third-rate puppets and the strings are pulled by Japanese militarists. Attempts to bring these scattered governments into a scheme of federation have failed. The administration of county governments in occupied territory will be even more difficult for the Japanese. Eighty percent of the people of China live in villages and are affected most intimately by county government. The Japanese Army has driven away the most intelligent and able Chinese officials and rural workers. How does it expect to collect taxes, develop communications, improve agriculture, rehabilitate the poor peasants, administer courts and at the same time reap a profit? Japan faces non-cooperation from educated patriotic Chinese leaders and deep-seated hostility among the common people to its program of exploitation. The use of ruthless armed force in political administration will be self-defeating. The outstanding "achievement" of the Japan-controlled municipal government in Nanking has been the introduction of an enormous business in narcotics and prostitutes. The Japanese militarists have shown without question that they are morally incapable of ruling another people, and they will fail in their attempt to rule China.

Japan has lost politically in the whole Far East. Her prestige, so high after the Russo-Japanese War has fallen pitifully low. Nothing has struck me with greater force in my recent contacts with representatives of all Asiatic countries than their unwillingness to concede Japan's claim to dominance in Asia. Indians, Burmese, Ceylonese, peoples of Malaya and of the Dutch East Indies, all protest vigorously against Japan's interpretation of "Asia for the Asiatics." A number of strong Indian leaders have said to me, "We want India to be free but we would far prefer British to Japanese rule." Australia and other islands of the Pacific utterly condemn Japanese aggression on the mainland.

In her diplomatic relations with Western nations Japan has failed, as some of her own thoughtful leaders now admit. Germany and Italy can give her no material aid. The democracies, on the other hand, can withdraw their trade with Japan and other forms of economic assistance and make the realization of Japan's design for conquest and exploitation infinitely more difficult.

Time, relentless time, is on China's side. Those who know China best, her resources, her people, her leadership, her spirit, have unshaken faith in her future despite the tragic sufferings of the present. No Chinese leader can now propose a compromise or dishonorable peace and hope to stand. China is preparing for prolonged resistance, sure that she will win her liberty in the end. China is not and will not be conquered.

January 6, 1939.

WHAT JAPANESE OCCUPATION MEANS

I have just returned from a trip into the occupied areas, and those few days brought back to me all those experiences of a much longer period during which I lived in a near-by city under Japanese control. What does it mean for a Chinese to live under the shadow of the flag of the Rising Sun? On the basis of these personal experiences, of innumerable conversations with Chinese and foreign associates who live in all parts of these areas, of reading private correspondence and printed reports, I would say it means something like this:

1. The Japanese have brought a flood of insecurity and humiliation to millions of innocent people.

I am not talking about the period of large-scale hostilities in this area, but about what is going on now, fourteen months after the battle lines shifted westward. There is a basic insecurity of life and limb. In the country the burning of villages and the shooting of their inhabitants is a common reprisal for guerilla activity in the neighborhood. The breakdown of old controls and the severe economic privation have brought forth an unprecedented wave of banditry. "Why, there's a bandit leader even living in our village now, and he pounced on me as soon as I entered my home," said our cook after a visit to his people. The Japanese do not trust the newly organized Chinese police force with arms, and these men have no spirit to oppose lawlessness even within the cities. "I went to the police station to get help against the men who were coming at night and tearing out the windows of the house I was to protect," said an old servant, "but they said the place was too lonely and dangerous. They would not come."

The people never know what to expect in the presence of the uniformed men at each sentry post, each city gateway, each railroad station. They do know that they have to take off their hats and bow. We are told that this is but a form of Japanese courtesy; they themselves bow, bareheaded, to their sentries. It is one thing to be brought up on a ritual which because it is customary easily comes to be regarded as a simple gesture, and quite another to have that ritual forced upon you at the point of a bayonet, the toe of a heavy shoe, or the butt of a gun, and to have to perform it as a symbol of submission. Does it rankle? Just try it out on the next policeman you see, but picture him as a foreign conqueror. Yes, they have to bow, but will they bow correctly? A friend had his chauffeur beaten up because the man was chewing as he showed his pass. A cultured lady was struck as she bowed at the railway station mid-way between here and Nanking. She bowed again with the greatest care, and was struck a second time. "Take off your glasses!" barked the sentry. Why? No one knows. Are such cases everyday occurrences? They happen to but a small proportion of the people, but their reports spread like wildfire, and each Chinese, stops, pulls out his pass, takes off his hat, and bows, not knowing if this time it will happen to him.

I have seen these people cuffed and rudely pushed into their places on buses, I have seen them forced to sit or squat on the ground while awaiting baggage inspection at the North Station (a regulation which has wisely been abandoned during recent weeks) and through it all they are silent and passive. But I have seen their eyes, and something in them tells me that the New Order in Asia will not be established in this way.

2. The Japanese influence has tended towards economic subjugation, political regression, and moral breakdown.

One could learn to swallow the indignities and to harden oneself to the danger of blows or more serious reprisals, if that were all. But there are other

CHINA INFORMATION SERVICE, Issue No. 20, March 1, 1939.

Page 5.

tendencies, working their way into so many phases of the life of the people that one can only conclude that he is witnessing a totalitarian war.

Along with the army and navy, either as a part of their Special Service Sections or as organizations enjoying their protection, have gone the economic "warriors" determined to wrest from the Chinese and the foreigners the control of all important phases of economic enterprise. "Japanese Take Over 53 Silk Filatures" runs the headlines in the Shanghai Evening Post and Mercury of January 24. "Paper Factories Taken Over" announces the North China Daily News that same day. "Our Electric Power Company has been taken over" they told me in Soochow the day before. "How did they go about it?" I asked. "First they assessed the plant at \$2,400,000," I was told, "next they printed and distributed \$1,200,000 in bonds to the former owners, and then they took over and began running the plant." The North China Daily News article reports Chinese sources (the only ones who would know) as "asserting that the Japanese have forcibly taken over all the biggest Chinese paper factories (valued at \$6,000,000) and are preparing to reopen them themselves, as the rightful owners have refused to cooperate with them." It is consistently reported that factories of all kinds have been required to "reorganize" with the former Chinese owners footing the bill for repairs, but with 51% of the stock turned over to the invaders.

Monopolies have been established over all important lines of economic activity: Shipping and transportation, silk, wool, cotton, salt, tobacco, cement, and coal. Raw materials are bought up from the farmer at set prices below the market value, and in one case reported from Wusih, were partially paid for in opium. The buying up of the summer's cotton crop in central China gives Japan a cheap supply that she can pay for in Yen and leaves Shanghai factories in the lurch, forcing them to import cotton which they must pay for in gold or sterling. Where the banking monopoly has been established (in North China) the sound currency of the Chinese Government banks is forcibly discounted and will be banned entirely after March 9. The people are forced to accept the inflated paper currency of the "Federal Reserve Bank" and the Japanese backers can use the good Chinese notes for their sorely needed foreign exchange. The stores in all parts of the occupied areas are flooded with Japanese goods, and cases have been reported when the store-keeper has been told to "buy Japanese, or else . . ." "But why do you mix up the Japanese goods with all of your other goods," a friend asked one such proprietor. "I did have it in separate piles," he replied, "but the police came around and made me mix it all together."

Taxes have to be paid on goods transported from city to city, a revival of the old likin system. The manager of a trucking company told me he had to get passes from five different government and military bodies in order to travel sixty miles into Shanghai, paying a fee for each. When I showed him a duty-free pass I had secured for one trip he exclaimed significantly, "A Chinese couldn't get one like that. No, not even for a thousand dollars." Even the poor farmer, bringing his produce to market will have his best fish, a handful of eggs, or a choice bunch of vegetables skimmed off by the sentry at the gate - lucky is he if it is only one.

Enough has been written already about the quality of the men in the puppet government. All I can add is that to one who has lived here it is clear that the Japanese government-makers have reverted to the type of men and the type of policies against which the National Government, for all its faults, had been struggling to overcome. Numerous men of the old feudalistic order, put out of office by the victorious Nationalist Movement of 1927, have been reinstated, and in most cases

DECLASSIFIED: E.O. 11652, 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. 20, March 1, 1939.

Page 6.

raised far their former positions. In some places the old "Councils of the Gentry" have been set up again to help in financial matters - picture them dealing with the land tax or rents and see which way the coin falls.

Furthermore, they have no real power and can operate only within limits fixed by their advisors. Again and again and again their plans end in frustration. In one provincial capital a bank was to be established to bring to the province the type of blessings conferred by the Federal Reserve Bank in the North. A Chinese organizer was found who at length assembled a Board of Directors of the most important men left in the city. But they had no capital. "Simple," said the advisors, in substance, "issue notes backed by the Federal Reserve." The organizer went to his Board with this proposal, but they turned him down cold, "We'll issue bonds which will have to be purchased with good Chinese currency," they said. But the advisors would have none of this plan, and the Board would have none of the other plan, and the last time I saw the organizer he was looking for a friendly shoulder to cry upon.

A dispute arose during the summer between the salt monopoly of Sunkiang and that of Soochow. The former manipulated the "Reformed" Government into declaring that it was supreme. Then the shadow stepped from behind the Soochow monopoly and the Special Service Section of the Japanese Army came out with a bold-type notice in the local paper; The Soochow Salt Company in legal and in control of this area. Any who spread false reports to the contrary will be punished.

As a missionary I have been appalled by the morally corrupting influences which have been introduced into the areas I have visited. We have been hurt by the evil in our own country, we realize only too well the vices of the society we had come to serve, and in our times of heart-searching and they were many - we knew that we were far from Sainthood. Yet we had set ourselves against the evils that we saw and had been working imperfectly, but not without some success, to reduce them. And now we see the clock turned back: Never have these people been subjected to such morally corrupting influences as have been brought in by the invader with his camp-followers and "carpet-baggers." Here are a few which I jotted down one day while thinking of this situation:

The system which can destroy and humiliate and then address its victims "Beloved people of the occupied areas."

The hypocrisies of the puppets with their talk about "the new order", "the good of the people," "peace to end this killing and loss of territory," and their own "self-sacrifice."

The lies of the newspapers which are bombing the people with "news" that aims to break their faith in their national cause and in the leaders whom they cherish.

The false celebrations of flag-waving - Imagine having to whoop it up at the funeral of someone you loved!

The temptation for hungry men to accept jobs in Japanese-sponsored enterprises - at the sacrifice of their self-respect. Or picture a destitute middle-class family reading in the morning paper that the Fuji nightclub is advertizing for "hostesses" on a guaranteed salary three times that of a factory worker.

The employment of criminal gangsters for terroristic purposes under such high-sounding titles as the "Yellow (a very honorable color in China) Way Society" with headquarters in a Japanese protected hotel. Their No. 1 henchman, wanted by the Shanghai police, is now reported to be in Hangchow trying to gain control of one of China's most influential secret societies.

The widespread payment of "protection" money to the authorities. A businessman in a near-by city recently reeled off to me a list of industrial and commercial enterprises who were paying about \$200 a month to the local Special Service Section of the Army.

Unrestricted gambling and prostitution and the open sale of opium and other drugs. The Japanese-controlled western areas of Shanghai have become the gambling center of the Orient. There was prostitution in the interior city I knew best through the years, but it was mostly of the hotel type. Now their houses line the main streets and they sprawl all over the doorways. But it is the drug traffic that is most telling. A recent survey in Nanking estimates that 50,000 out of a total 400,000 population are smoking opium or heroin. This report states, "Today opium and Heroin are abundantly supplied by the public authorities or by those who enjoy their favor or protection . . . Public revenues are being built upon the ruin of human bodies and spirits."

3. The Christian enterprise in the occupied areas is seriously threatened.

Missionaries were not permitted to return to their stations along the Shanghai-Nanking Railroad until seven months after the fighting had passed over this area. A recent report from a city in Chekiang tells of a meeting of all Chinese Christian workers, called by the Japanese. The drift of the latter's speeches was something like this: The time has come for us to cooperate. We are here with you now, and it is with us (rather than the foreigner) that you are to cooperate.

We have just received an urgent request for help from a Chinese pastor in an out-lying town. The Japanese pastor had approached him, insisting that he "cooperate" by turning in his relief appropriations into a common fund to be administered by Japanese and Chinese together. Why can't we "co-operate?" First and most fundamentally because every Japanese pastor who has been appointed to long-time work in any area we have know has been caught up and placed under the Special Service Section of the Army. We can not help but interpret his religious gestures as a part of the SSS totalitarian program for China, and no one of them has so behaved as to make us change this opinion! Second, we have seen what "co-operation" means in politics and economics.

There have been numerous moves in the direction of interference or of control. The head of the Special Service Section for this province expressed his disapproval of the Church carrying on a relief program, but has not acted to stop it. Opposition has also been expressed to Sunday School work, partly because of the word "School," and partly, so one report goes, because the inspector cannot be in all the classes at the same time. Schools have been ordered to reopen and register with the "New" government by March 20 or have their plants loaned to educational groups who would carry on as the government wishes. There have been attempts to inject Japanese propaganda into the few special schools that have been opened, and demands have been made that they all fly the five-bar flag of the "New" government.

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

CHINA INFORMATION SERVICE, Issue No. 20, March 1, 1939.

Page 8.

It is the personal opinion of many thoughtful missionaries that further interference, suppression or control is inevitable for the two following reasons: First, the Japanese consider Mission work as one phase of Western influence, and our experience forces us to believe that they are determined to eradicate such influence. Second, there is a deeper clash of basic philosophies. Their emphasis on Militarism, the supremacy of the State over the individual, and the creation of a nation of unquestioning and docile subjects is in fundamental conflict with our convictions of the worth of the individual, the supremacy of the Christian conscience, the basic demands of justice and peace, and the insistence that "Thou shalt have no other gods before me!"

4. The final outcome of the war is still undecided.

Even in the occupied areas, the Japanese control only the large towns and cities and the major lines of communication. A mile away from strategic cities on the Shanghai-Nanking Railroad one can encounter Chinese troops, armed and ready. The Japanese garrison at Soochow has publicly reported that from August to December 1938 they had 309 engagements with guerillas in the area within a 40 mile radius of that city. But with all these battles it is doubtful if they control any more territory than they did before; they take points, not territory, and they rarely hold them. The Chinese withdraw and are soon back again. In the North and Northwest the guerillas are much more effective and are a constant source of embarrassment and loss to the Japanese, who are everywhere encountering the greatest of difficulties in trying to consolidate their position.

But more significant still is the fact that there lives in China a unified government with strong armies defending vast mountain areas. In the West and Southwest new lines of communications are being opened and a new industrial base is being established. Just three days ago the North China Daily News announced, "Chinese bankers put money in South-west. . . A multi-millionaire overseas Chinese medicine merchant Mr. Hu Wen-hu and other merchants, have contributed \$50,000,000 for developing Yunnan alone," - and these merchants are no fools! Even close behind the lines, a new movement in the establishment of small-scale, mobile industrial cooperatives is in progress.

Throughout the nation the morale is superb, and around their leaders cluster the faith and hopes of 450,000,000 people who join them in the cry, "We will go on!" Significant indeed is the fact that the only applause to Wang Ching-wei's peace proposals came from Japan. The odds are heavy, but this nation can yet emerge unconquered and free.

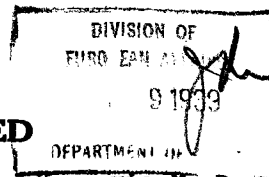
THE CHALLENGE OF CHINA'S YOUTH

Can't you see them standing there--
 Modern youth of old Cathay?
 Farmers, merchants, and co-eds--
 From all walks of life are they
 Firm they stand,
 For their land
 Is in danger. Do you care?

Can't you see the children, too--
 Scouts and orphans,--girls and boys?
 Sewing, knitting, standing guard--
 Hindered not by flesh or noise.
 All the fit
 Do their bit,
 Is there nothing you can do?

From Missionary Correspondent.

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

FS

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

Hong Kong via N. R.

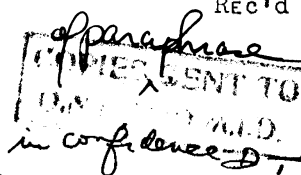
FROM

Dated March 3, 1939

15461

Rec'd 12:15 p.m.

Secretary of State,
 Washington.



77, March 3, 10 a.m.

793.94

Following is a paraphrase of a message from the

American Consul at Saigon: It is reliably reported that the French authorities in Indo-China have stationed troops fully equipped for active service at all points of strategic importance along the coast between Moncay and Haiphong due to the fact that two Japanese aircraft carriers and a number of other war vessels are understood to have been observed in close proximity to the territorial waters of French Indo-China near Moncay about February 18.

Reliable sources state that complete plans for dealing with an influx of refugees in the area adjacent to Langson and Caobang have been made by the frontier garrisons in the event of a Japanese offensive into Kwangsi. The Indo-China Kwangsi frontier will be closed only in the event that it becomes necessary to stop the entry of more refugees than can be dealt with under existing plans or to avoid friction and possible clashes with the Japanese.

The

793.94/14770

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

15462

FS 2-No. 77, March 3, 10 a.m. from Hong Kong

The firm having the contract for building the bridges for the Nanning Railroad has withdrawn its European staff from China for an indefinite time. This action was taken because it was considered inadvisable to continue building bridges which might be bombed by the Japanese.

Chinese Government representatives in Indo-China have been advised confidentially and officially that all merchandise including munitions will be given unrestricted transit through Indo-China. Cheng Ming Pan an official of the Central Trust is the source of the foregoing statement. (GRAY) Previously Government General had advised this Consulate by telegram in reference to request for information regarding transit tax that in theory there is no transit tax on war material shipped through Indo-China for the Chinese Government but that in practice such shipments were forbidden. The information had been requested on behalf of shippers of trucks in transit. Report that Wang Ching Wei and Doihara were together at Tamdao has been confirmed, negotiations are said to have resulted negatively and Doihara has left Indo-China. Information regarding present whereabouts of Wang Ching Wei thus far unobtainable. Reliably informed that China National Aviation Corporation has been granted authority to establish ^{Chungking} Nanning-Hanoi service.

Repeated to Chungking, Yunnanfu. (END GRAY)

HTM:CSB

SOUTHARD

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

15463

Confidential

CONFIDENTIAL

P A R A P H R A S E

A telegram (no. 77) of March 3, 1939, from the American Consul General at Hong Kong transmits a message from the Consul at Saigon which reads substantially as follows:

According to a statement made by an official of the Central Trust (Cheng Ming-pan), representatives in Indochina of the Chinese National Government have been officially and confidentially informed that no restrictions will be placed on the shipment through Indochina of any merchandise, including munitions. Previously the Government General had advised the Consulate at Saigon by telegram, in reference to a request for information in regard to transit tax, that in theory there is no transit tax on war material shipped through Indochina for the Chinese Government but that in practice such shipments were forbidden. The information had been requested on behalf of shippers of trucks in transit.

According to reliable information, the frontier garrisons have made full plans for taking care of the influx of refugees in the territory adjoining Caobang and Langson in case of an advance into Kwangsi Province by the Japanese. The frontier between Kwangsi and Indochina will not be closed unless such a measure should be necessary in order to avert possible clashes and friction with the Japanese or to prevent the entry of a greater number

DECLASSIFIED: E.O. 11652, 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-

number of refugees than can be taken care of under present plans.

There are reliable reports to the effect that, on account of the fact that about February 18 a number of Japanese war vessels, including two aircraft carriers, are understood to have been seen near the territorial waters of French Indochina in the vicinity of Monocay, the French authorities in Indochina have placed at all strategically important points along the coast between Haiphong and Monocay troops fully equipped for active service.

Because it was not considered advisable to proceed with the construction of bridges which the Japanese might bomb, the company which has the contract for constructing the bridges on the Nanning Railway has withdrawn from China for an indefinite period its European staff.

It is reliably reported that the China National Aviation Corporation has been granted authority to establish a Nanning-Hanoi service. The report that Wang Ching-wei and General Doihara were together at Tainao has been confirmed. Negotiations are said to have resulted negatively and Doihara has left Indochina. Information in regard to the present whereabouts of Wang Ching-wei has thus far been unobtainable.

793.94/14770

89C.
 FE:EGG:HJN 3/4/39

KW
 FE:JW

034

DECLASSIFIED: E.O. 11652, 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 793.94119/511 FOR #114

FROM China (Chungking) (Peck) DATED Jan 5, 1939
TO NAME 1-1127 ...

REGARDING: General Chiang Kai-shek's address of Dec 26, 1938.
Excerpts from-, enclosed.

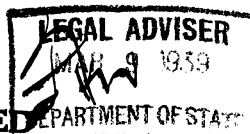
793.94/14771

FRG.

14771

034

DECLASSIFIED: E.O. 11652, 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

PAP

HONG KONG VIA N.R.

A portion of this telegram
must be closely paraphrased Dated March 4, 1939
before being communicated FROM
to anyone (Er) Rec't 8:05 a.m.

Secretary of State
Washington

81, March 4, 9 a.m.

(GRAY) Please refer to my telegrams numbers 58/14736
of February 21, 11 a.m., and 60/14741
reporting Japanese bombing of Hong Kong frontier. A
meeting was begun in Hong Kong on March 2 by Chief of
Staff of the Japanese commander in chief in South China,
who came from Canton for the purpose, and the local
acting Japanese Consul General with representatives of
the Government of this ~~colony~~ to discuss the terms of com-
pensation with regard to the bombing incident. Official
announcement has now been made that full agreement was
reached and payment of claims, not yet fully known, up
to a maximum of 20,000 Hong Kong dollars was agreed to
by the Japanese representatives. (END GRAY)

This amount is presumably for reasons of policy
meant by the British to be more ~~or less~~ ~~questionably~~ nominal
as local public opinion and certain confidentially ex-
pressed official opinion of informed quality both estimated
and anticipated much greater amount of damage. In its
attitude

793.94/14772

WB
3/24/31

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

PAP -2- 81, March 4, 9 a.m. from Hong Kong

attitude toward the public and press the local government indicates complete satisfaction with the results of the settlement.

Repeated to Canton and to Peiping for Tokyo, Paraphrase to Chungking by mail.

SOUTHARD

RR

0348

DECLASSIFIED: E.O. 11652, 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. 81) of March 4, 1939, from the American Consul General at Hong Kong reads substantially as follows:

Reference is made to previous reports in regard to Japanese bombing of the Hong Kong frontier. A meeting was begun in Hong Kong on March 2 by Chief of Staff of the Japanese commander in chief in south China, who came from Canton for the purpose, and the local acting Japanese Consul General with representatives of the Government of this (?) to discuss the terms of compensation with regard to the bombing incident. Official announcement has now been made that full agreement was reached and payment of claims, not yet fully known, up to a maximum of 20,000 Hong Kong dollars was agreed to by the Japanese representatives.

Entire satisfaction with the results of the settlement is shown by the Hong Kong Government in its attitude toward the press and the public. Certain informed official opinion expressed confidentially and public opinion in Hong Kong expected and estimated that the amount of damage would be much greater. The British meant the amount of damages to be more or less nominal, presumably for reasons of policy.

793.94/14772

B.G.C.
FE:Christenson:HES
3-6

ACE
FE
REV

0345

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

IC

TELEGRAM RECEIVED

FS
 This telegram must be Canton via N. R.
 closely paraphrased before being communicated
 to anyone. (BR)

Dated March 3, 1939

Rec'd 6:45 a.m. 4th

Secretary of State

DIVISION OF
 INTERNATIONAL CONFERENCES
 MAR - 9 1939
 DEPARTMENT OF STATE

Washington.

3rd, March 3, 5 p.m.

CONFIDENTIAL.

Reference my telegram No. 13, January 20, 6 p.m.

FROM
 PIES SENT TO
 O.N.I. AND M.I.D.
in confidence

Division of
 FAR EASTERN AFFAIRS
 MAR 6 - 1939
 Department of State

793.94/14630

*Correction
 made by KE.*

I have been confidentially informed by my British
 colleague that an arrangement has been reached with the
 Japanese Consul General which provides that application
~~will not be made~~
~~for~~ for a Japanese transport to call at Hong Kong en route
 to Canton more frequently than once a week and for a
~~Japanese~~ *British* commercial vessel to come to Canton from
 Hong Kong oftener than once a fortnight, applications for
 the return trip of such vessels not being included in
 the above mentioned time limitations. Such Japanese
 vessels will call at Hong Kong only for the discharge
 and loading of passengers and such British vessels will
 carry only passengers and their baggage and mails between
 the two ~~ports~~ *ports*. The arrangement is subject to alteration
 at any time.

The first British ship under this arrangement arrived
 here February 28 and departed today.

The

793.94/14773

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

FS 2-No. 35, March 3, 5 p.m. from Canton

The situation in regard to opening of the Pearl
River to general commercial traffic remains unchanged. |
Repeated to Chungking, Peiping, Hong Kong.

RR:CSB

MYERS

(*) Apparent omission

0351

DECLASSIFIED: E.O. 11652, 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 confidential telegram (no. 35) of March 3, 1939, from the American Consul General at Canton reads substantially as follows:

There is no change in the situation relating to the opening to general commercial traffic of the Pearl River. Arrangements, which are subject to change at any time, have been made with the Japanese Consul General, according to confidential information received from the British Consul General, providing that application will not be made for a British commercial vessel to come more frequently than once in two weeks from Hong Kong to Canton and for a Japanese transport to call oftener than once each week at Hong Kong on its way to Canton. These time limits do not include applications for the return trip of such ships. Only passengers and their baggage and mail will be carried between Hong Kong and Canton by the British commercial vessels and the Japanese transports will stop at Hong Kong for the loading and discharge of passengers only. On February 28 the first British vessel arrived at Canton under this arrangement. This vessel left on March 3.

Reference is made in connection with the above to telegram no. 13 of January 20 from Canton.

723.34/14773

e.g.c.
 FE:Christenson:HES
 367

KSC
 FE
Wells

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

TELEGRAM RECEIVED

REB

FROM PLAIN

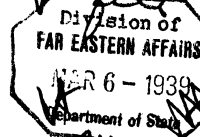
Shanghai via N. R.

Dated March 4, 1939

Rec'd 2:30 p. m.

793.94
Secretary of State,
Washington.

181, March 4, 1 p. m.



In connection with the observance of "New Order Week" which commenced yesterday, a local Japanese newspaper features articles by Wen Tsung-Yao, chairman of the Legislature yuan of the "Reformed Government" and Colonel Tahira Hamada chief of the Japanese military press section at Shanghai. The three most important objectives in establishing the new order in East Asia were stated by Mr. Wen to be: (one) complete restoration of the sovereignty of China and the casting off of the yoke which is keeping China in a semi-colonial state, thus enabling her to attain pure independence; (two) rebirth of morality and culture which is characteristically and intrinsically oriental; (three) establishment of the white and yellow race on an equal footing. Mr. Wen dealt at length with the "exploitation" of China by the foreign powers and reiterated that the grip of the western powers on

793.94/14774

F/FG

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

REB

2-#181, From Shanghai, Mar.4, 1p.m.

on China should be removed in order to save her from being
"an eternal servant to the west". Colonel Hamada expressed
the hope that the "New Order Week" will awaken western
powers which he said are attempting to make Asia the object
of their exploitation and that it will warn the Kuomintang
Government "which has resigned itself to the beck and
call of these powers."

Repeated to Chungking, 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

DOCUMENT FILE

NOTE

SEE 8 93.00 P.R. Tientsin/129 FOR despatch # 729

FROM Tientsin (Caldwell) DATED Feb. 4, 1939
 TO NAME I-1127 ...

REGARDING: Sino-Japanese relations: Report concerning-,
 for month of January, 1939.

8a

793.94/ 14775

14775

DECLASSIFIED: E.O. 11652, 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-

4. Japan.

793,94
 a. Guerrilla Warfare. The Japanese are now successful in suppressing practically all reliable information regarding guerrilla activities and their own military movements in the interior and make every effort to convey the impression that, except for a few unruly elements the Chinese are welcoming the Japanese. The small amount of reliable information obtained from time to time by the Consulate General indicates, however, that this is not true and that the Chinese are more and more determined that they will not be subjugated by the Japanese. The Japanese-controlled press published numerous accounts of Japanese successes in suppressing the guerrillas, some at least of which were manifestly untrue.

A belated report received from an American who has been in direct contact with some of the Eighth Route Army units concerned, stated that contrary to the Japanese reports of a smashing victory over the Eighth Route Army in the Wut'aishan area in northeast Shansi that the Japanese actually lost about three-fifths of the 20,000 troops engaged in this campaign and while the Chinese losses were as many or more, the result might reasonably be considered a victory for the Chinese, particularly since the area remained under Chinese control.

One incident that was quite obviously disturbing and annoying to the Japanese was the wrecking of a train on the main line between Peiping and Tientsin about thirty miles out of Tientsin on the night of

January

DECLASSIFIED: E.O. 11652, 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-

January 11 by Chinese guerrillas, which stopped traffic on the railway for about twenty-four hours. Traffic between Tientsin and Tsinan was disrupted several times by the train-wrecking activities of the guerrillas and the other railways in North China were also regularly damaged by them.

An American who is in fairly close contact with the guerrillas of Shansi Province reported to this office that the guerrillas could certainly disrupt traffic on the Shihchiachwang-Taiyuanfu Railway at any time they wished but restricted themselves to breaking the railway or wrecking a train once each week as a reminder to the Japanese that they were still present and active.

b. Japanese Attempts to Obtain Support of Wu Pei-fu. The Japanese-controlled press of Tientsin and Peiping gave much publicity during January to reports of the impending participation of Marshal Wu Pei-fu (吴佩孚) the former Chihli party warlord, in the Japanese-fostered puppet governmental organization in China as Chairman of a "Pacification Commission" to be established in Kaifeng, Honan. At the end of January it was not clear from information obtainable here whether Marshal Wu had consented or declined to cooperate with the Japanese, but the opinion was generally expressed by Chinese in Tientsin who professed to be on familiar terms with Marshal Wu that he has no intention of serving the Japanese and will take office only if the Japanese will withdraw their troops

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

-8-

troops and give his government complete military and civil power. The same quarters stated, however, that many of Wu's former subordinates are endeavoring to prevail upon him to take office under the Japanese in the hope that they themselves may receive official appointments and otherwise profit by this move.

0358

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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

793.94 / 14776

SEE 865.00/1800 FOR #1302

FROM Italy (Reed) DATED Feb. 17, 1939
NAME 1-1127 ***
TPI

REGARDING: Japanese occupation of the Hainan Island. Italian press
comments on the -.

m1

14776 -

1359

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

March 6, 1939.

~~JWB:~~

The Hague's despatch No. 649 of February 23, 1939, gives comment of three Dutch newspapers in regard to the Japanese occupation of Hainan Island. The despatch is summed up in the final sentence: "I feel that Dutch public opinion in general is much more concerned over this latest Japanese action than is reflected in the rather phlegmatic and calm attitude of" two of the newspapers above referred to.

FE:Salisbury: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. 649

LEGATION OF THE
UNITED STATES OF AMERICA

The Hague, Netherlands,
February 23, 1939.

SUBJECT: NETHERLANDS PRESS REACTION TO THE
JAPANESE OCCUPATION OF HAINAN

RECEIVED
DEPARTMENT OF STATE

1939 MAR 4 AM 11 56

For Distribution (Check)		Yes	No
Grade	For		
Field			
In U.S.A.			
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MID			

MAR 10 1939



DEPARTMENT OF STATE
MAR - 9 - 1939
ASSISTANT SECRETARY
OF STATE

Honorable
The Secretary of State,
Washington.

I have the honor to report that the recent Japanese occupation of the island of Hainan has been closely followed in the local press. Telegraphic reports from the world's principal capitals purporting to cover the official and popular reaction to this act have been given prominence; there have been, in addition, a number of editorials, the principal of which may be summarized as follows.

The...

793.94/14777

F/FG 14777

DECLASSIFIED: E.O. 11652, 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 liberal ALGEMEEN HANDELSBLAD, in an editorial in its issue of February 17, discussing the question whether the occupation of Hainan may be expected to be permanent or only temporary, believes that the answer will in all probability be found to depend on the outcome of the Sino-Japanese conflict.

Referring to the campaign in the Japanese press in favor of using the occupation of Hainan as a means of exerting pressure on Great Britain, France, and even the Netherlands, this newspaper takes the stand that such a policy should be considered in the nature of a stimulant to Japanese imperialistic feelings and the popular desire in that country to check further the influence of the Western Powers in the Pacific in general and in China in particular.

In a subsequent editorial in its issue of February 18, the HANDELSBLAD refers to a recent statement appearing in the OSAKA ASAHI which, as reported by HAVAS, reads in translation as follows:

"By the occupation of Hainan the fate of Hong Kong is in our hands and Indo-China within our reach. France and Great Britain will no longer be able to assume a strong attitude against us. They will soon understand what the occupation of Hainan by the Japanese means to them.

There is another nation that will feel it greatly - the Netherlands, which made itself master of the Netherlands Indies without having been called upon to make any sacrifice whatsoever. Let us wait until that country, conscious of the changed situation, proposes to us the sale of New Guinea".

In this newspaper's opinion, this statement, and

also...

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 -

also other similar ones appearing in the Japanese press, should not be taken too seriously, for the time being at any rate. Such statements, it feels, have never made much impression in the Netherlands Indies, and once the first excitement the occupation of Hainan has caused in the Japanese press has subsided Japanese common sense may be expected to get the upper hand.

In an editorial in its issue of February 18, the Roman Catholic MAASBODE writes as follows:

"The Japanese fleet has up to now participated in the war (in China) to a limited extent. Small naval units have carried on operations near the coast or in Chinese rivers; larger units have covered the landing of troops in important harbors; but as a fleet the Japanese navy has not as yet commenced operations. It is still intact in every respect; it is, moreover, the strongest fleet in the Pacific; it is full of that spirit of ardor which may enable it to perform great acts; it is an arm of tremendous force which can still be used to its full extent should international complications make that necessary.

This navy lacks only one thing to back Japanese diplomacy and policy in respect to Europe and the United States, namely, strong naval bases at considerable distance from Japan. That is why Japanese activities have recently been energetically aiming at obtaining points of support which in the long run may be developed into such bases for the navy and the air force. The mandated islands in the Pacific, the fortification of which is not actually permitted, have already been strongly fortified as very powerful bases; now the Japanese have occupied a large Chinese island, Hainan, which eventually may constitute a terrible menace, particularly to French-Indo-China, and as a possible naval base may and will be a constant danger to the Philippines, the Netherlands Indies and Singapore, particularly if the canal across Siam ever materializes."

This newspaper goes on to refer to the discussions that have taken place in the international press relative 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

- 4 -

to Japan's real intentions in regard to Hainan. It believes that the problem is simple, and that the real reason for the occupation of that island was to prevent China importing arms and supplies from the south.

"What she (Japan) has already occupied", concludes this newspaper, "will not be returned unless she is forced to do so. For this reason, one should be under no illusions with regard to the future of Hainan. In the Far East, as in the West, it is a question of strength. The strongest imposes his will upon the weak".

The liberal UTRECHTSCH DAGBLAD, in an editorial in its issue of February 17, is of the opinion that the boastings of the Japanese press over the occupation of Hainan, together with the emphasis laid on the consequences this occupation may have for France, Great Britain and the Netherlands, should be taken as an indication that the Japanese people are somewhat upset and that the "Chinese adventure" is beginning to weigh heavily on them.

"It is not a sign of calmness or serenity that a moderate newspaper like the OSAKA ASAKI proposes the conquest of New Guinea. It never was the custom of the Japanese to make known their plans beforehand; that the Japanese press begins to reveal their plans proves that there is something wrong in Japan".

In conclusion, I may say that I feel that Dutch public opinion in general is much more concerned over this latest Japanese action than is reflected in the rather phlegmatic and calm attitude of the HANDELSBLAD and the UTRECHTSCH DAGBLAD. (See my despatch No. 648 of February 21, page 5).

Respectfully yours,

File No. 700/711

In quintuplicate.
 JWB/mm

George A. Gordon
 George A. Gordon.

DECLASSIFIED: E.O. 11652, 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 890.00/133 FOR memorandum

State Department
FROM Far Eastern Division (Salisbury) DATED Mar. 2, 1939.
TO NAME 1-1127 ***

REGARDING: Situation in the Far East: Review of
events of the past week.

aa

793.94/ 14778

14778

0365

DECLASSIFIED: E.O. 11652, 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
Chungking, February 4, 1939.

No. 133.

Subject: Japanese Aggression; Communication
to the President.

MARCH 15 1939

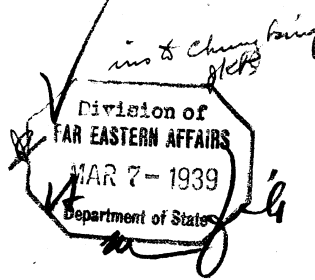
793-1
7-1-39

For Division Chief		To field	
Grade	For	In U.S.A.	For

RECEIVED
DEPARTMENT OF STATE

1939 MAR 6 PM 1 59

U.S. DEPT. OF
STATE
COMMUNICATIONS
AND RECORDS



793.94/14779

The Honorable

The Secretary of State,
Washington.

Sir:

1/ I have the honor to enclose an undated communication addressed to the President of the United States and the Secretary of State, bearing numerous signatures described as being those of gentry of Chengtu, capital of Szechwan Province. This communication is in the form of a petition in which the writers express appreciation of the action of the United States in extending credits to promote trade with China and of the projected revision of the American

"Neutrality"

F/FG

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MAR 15 1939

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1364


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

- 2 -

"Neutrality Law" in such a way that its observance will not provide assistance to aggressor nations.

In the letter transmitting this communication the hope was expressed that some sort of a reply might be forthcoming.

Respectfully yours,


Willys R. Peck,
Chargé d'Affaires ad interim.

Enclosure ✓

1/ Communication to the President
and the Secretary of State.

Original and two copies to the Department
One copy to the Embassy, Peiping.

700

WRP:MCL

DECLASSIFIED: E.O. 11652, 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. 133
 Dated Feb. 4, 1939.

The Gentry of Szechwan province, West China, desire to express their gratitude to the President of the United States of America, also to Secretary of State Cordell Hull, for the hope held out that the Neutrality Act will be revised so as not to be a help to aggressor nations. Also for the warning given to the authoritarian states that the United States is not indifferent to the attacks being made by them on democracies. Four hundred and fifty millions of Chinese, united as never before, are determined to reject the imposition of a Japanese domineering hegemony upon the continent of Asia. China demands the right to develop their own form of government in harmony with the aspirations and ideals of the people of China. Even as the great American republic has scrupulously refrained from interfering in the natural development of sister republics on the same continent, so the liberty-loving countries of the world should come to the assistance of China in her struggle to maintain her freedom and independence against the aggressive ambitions of a neighboring country: Japan. The peace and future of world civilization demands that Japan be restrained and that China be allowed to develop along peaceful lines in conformity with her ancient ideals of scholarship and tolerance.

It is therefore with great joy that we hear of the sympathetic action of your country in respect of a loan to China, and of the projected revision of the Neutrality Act. We earnestly hope that your expectations may be fully realized and further legislation enacted that will

enable

0368

DECLASSIFIED: E.O. 11652, 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 -

enable your government to assist sister democracies when they are the subject of attack by covetous neighbors.

Signed on behalf of suffering millions of Chinese people, we subscribe ourselves.

The Gentry of Chengtu, Szechwan.

D. K. Chow	S. C. Liao	L. T. Pen
H. G. Hsu	T. H. Pei	Li Ren Ten
H. H. Hsi	Feng I Pei	W. K. Long
D. T. Gao	Wang Hwei Ngan	G. K. Lee
Hsiao Bei Hao	S. C. wei	L. T. Ho
T. Y. Chow	Z. S. Chow	H. F. Ma
S. S. Chen	B. F. Lee	T. C. Ho
Y. F. Chen	C. H. Cheo	G. S. Hu
S. C. Chu	S. C. Fu	A. C. Yeh
S. C. Siao	Tang Dzong Yao	H. Y. Lin
H. C. Tsao	C. S. Lo	T. C. Win

(Correct copy: MCL)

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS


March 13, 1939.

Chungking's despatch no. 133 of February 4 encloses a copy of a communication from the gentry of Chengtu thanking the President and the Secretary of State for the hope held out that the Neutrality Act will be revised and for the American credits to China. Mr. Peck states that the letter transmitting this communication expressed the hope that a reply might be forthcoming.

It is understood that Ambassador Johnson received a communication while he was here which was signed by the gentry of Chengtu but that he filed it without acknowledgment.

It is felt that an acknowledgment by the Embassy of the communication under reference would be appropriate and an instruction on the subject is attached.

793.94/14779


FE:Penfield:HES

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

March 16 1939

No. 154

To the

American Chargé d'Affaires ad interim,
 Chungking.

The Secretary of State refers to despatch no. 133 of February 4, 1939, from the Chargé d'Affaires, with which was enclosed a copy of an undated communication which appears to be a petition addressed to the President and the Secretary of State by the gentry of Chengtu, and authorizes the Chargé d'Affaires to make an appropriate acknowledgment of this communication.

793.94/14779

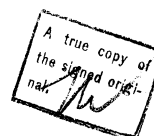
793.94/14779

Copy to Embassy, Peiping.

OR *[initials]*
 MAR 14 1939

FE:JKP:HES
 3-13

[initials]
 FE
[initials]



F/FG

[Handwritten signature]

DECLASSIFIED: E.O. 11652, 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

~~SECRET~~
March 8, 1939

Chefoo's despatch no. 42 of February 9 reporting further on Japanese demands in regard to customs personnel states that a Japanese second officer has been appointed Acting Commander of the customs cruiser Haicheng, but ^{they} the Inspector General has not yet approved the transfer of the American former first officer of the cruiser from Chefoo, a transfer which is demanded by the Japanese.

~~SECRET~~
FE:Penfield:HJN

037

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

No. 42.

AMERICAN CONSULATE,

Chefoo, China, February 9, 1939.

Subject: Japanese Efforts to Force Expulsion
of Mr. Theodore W. Joyce.

RECEIVED
DEPT OF STATE
MAR 6 1939

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MAR 6 1939

COPIES
AND RECORDS
THE HONORABLE
THE SECRETARY OF STATE,

WASHINGTON.

Division of
FAR EASTERN AFFAIRS
MAR 7 - 1939
Department of State

Sir:

I have the honor to refer to this Consulate's
code telegram No. 9 of January 28, 12.00 noon, the
Department's No. 22 of January 28, 2.00 p.m., and
the Consulate's No. 14 of February 8, 9.00 a.m.,
concerning the efforts of the Japanese Navy to force
the Commissioner of Customs at Chefoo to transfer Mr.
Theodore W. Joyce, an American citizen, away from this
port. The incident arises as a sequel to the seizure
of the Chinese Maritime Customs Cruiser Haicheng which
took place on June 30, 1938.

793.94/14780

A report of the seizure was made in this Consulate's
code telegram of July 1, 10.00 a.m., and despatch No.
14 of July 1, 1938, to the Department, entitled "Japanese
Chinese Maritime Customs Cruiser Haicheng". On
June 30, 1938, an armed force of Japanese sailors
boarded the Haicheng in the port of Chefoo and forced
the Commander, Captain George A. Augus, and Executive
Officer Theodore W. Joyce, the only two European
officers, to leave the ship. Under orders of the

Senior

ASSISTANT SECRETARY
OF STATE
MAR 10 1939
DEPARTMENT OF STATE

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14780
RECEIVED
MAR 10 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

- 2 -

Senior Japanese Naval Officer at Chefoo the Cruiser was handed over to Second Officer Yasuda, a Japanese subject.

Since that time the ship has been in the hands of the Japanese Navy although the Navy claims it has not taken the Cruiser over and has required the Customs to pay operating expenses. The Chinese Maritime Customs will not take the Cruiser while the Japanese keep the European officers off the ship.

Captain George A. Augus and Executive Officer Theodore W. Joyce are still employed by the Customs and are carried in the records as Commander and Executive Officer of the Haicheng. They have carried out some of their duties inspecting Customs stations and tending the lights in smaller vessels.

Captain Augus is covered by a contract with the Chinese Government which terminates about February 20, 1939, and will not be renewed. Inspectors of the Marine Department have recommended the appointment of Mr. Joyce as Acting Commander on the departure of Captain Augus.

For some time the Japanese Naval authorities have been pressing the Acting Commissioner of Customs Momikura, a Japanese subject, to appoint Second Officer Yasuda Acting Commander with the pay of that rank. The plan to make Mr. Joyce Acting Commander forced the issue. On January 28, 1939, the Japanese Naval authorities at Chefoo ordered the Commissioner of Customs to appoint Second Officer Yasuda as Acting Commander of the Customs Cruiser Haicheng and to bring

about

1374

DECLASSIFIED: E.O. 11652, 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 -

about the withdrawal of Captain Augus and Executive Officer Joyce from Chefoo. In an interview with the Japanese Naval officer the demand for Captain Augus' expulsion from Chefoo was not pressed but the Yasuda appointment and Mr. Joyce's transfer were maintained.

The Commissioner of Customs took no definite action. He called in the Northern Commander of the Customs Preventive Service, Mr. Joyce's immediate superior, and told him of the Japanese orders. The information was passed on to Mr. Joyce with verbal instructions to remain at Chefoo pending instructions from the Inspector General of Customs and further developments.

The Inspector General was informed of the Japanese demands by telegraph and instructed the Commissioner of Customs to take no action pending the receipt of a full report in Shanghai.

The Commissioner of Customs has now received an instruction from the Inspector General of Customs which is interpreted as a refusal to comply with the Japanese demand for Mr. Joyce's transfer from Chefoo. On the strength of this Mr. Joyce has informed me that he will not voluntarily leave Chefoo except on orders approved by the Inspector General of Customs. It is feared that the Acting Commissioner of Customs under duress disregarding the instructions of the Inspector General may order Mr. Joyce to leave Chefoo.

Part of the Japanese demands have been granted by the appointment of Second Officer Yasuda as Acting Commander of the Haicheng. This was done by the
Acting


037

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

- 4 -

Acting Commissioner of Customs in an order issued on January 30, 1939, before the receipt of written instructions from the Inspector General of Customs. Since February 1, the Second Officer has been Acting Commander 1/ with the pay of that position (Enclosure No. 1).

Respectfully yours,


Quincy F. Roberts
American Consul

Enclosure:

1. Copy of Customs Order No. 430.

320
QFR:YCY

In quadruplicate to Department of State.
One copy to Embassy, Chungking.
One copy to Embassy, Peiping.
One copy to Embassy, Tokyo.
One copy to Consul General, Shanghai.

0378

DECLASSIFIED: E.O. 11652, 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. 42 of Quincy F. Roberts, American Consul at Chefoo, China, dated February 9, 1939, on the subject: Japanese Efforts to Force Expulsion of Mr. Theodore W. Joyce.)

CUSTOMS PREVENTIVE STEAMERS' ORDER NO. 430.

I have to appoint Mr. K. Yasuda, 2nd Officer C, as Acting Commander (2nd Officer C), C.P.S. Hai-cheng as from 1st February 1939. Pay according to the new rank is to be issued him as from that date.

(Signed) S. Momikura

Acting Commissioner.

Custom House,
Chefoo, 30th January 1939.

SEEN BY :-

A true copy of
the signed orig-
inal.

037

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

5464

FA/1

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 7, 1939

With reference to the attached telegram from Paris, it is doubtful whether any facilities which the Portuguese Government may offer the Japanese army at Macao would be of much value to the Japanese army. The statement regarding the proposed visit of Koyama to Europe for the purpose of lining up European States for a conference to "revise" the Nine Power Treaty does not appear to be of much significance. Incidentally, there are four members of the Japanese House of Representatives named Koyama. Possibly the one referred to in the attached telegram is Koyama Tanizo, a graduate of Columbia University, who has previously toured Europe and the United States.

793.34 14-81

With regard to the Chinese Embassy's suggestion to the French Foreign Office that exports from French Indochina to Japan of raw materials useful to Japan in war should be prohibited it may be noted that in 1938 total imports into Japan from French Indochina amounted to 20 million yen, of which 60% represented coal and 6.5% rubber. Information in regard to other imports is not available.

The telegram would appear to require no action.

my ref

FE:Ballantine:HJN

0378

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

15465

TELEGRAM RECEIVED

CA

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

FROM

PARIS

Dated March 6, 1939

Rec'd 7:10 p.m.

Secretary of State

Washington

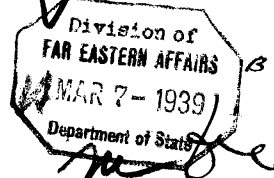
415, March 6, 8 p.m.

CONFIDENTIAL

The Chinese Ambassador, Wellington Koo, came to the Chancery this afternoon and said that he had received information indicating that the Chief of Police of Macao, acting on behalf of the Portuguese Government, had agreed to receive the Japanese army in Macao and offer them all facilities. In addition, the Chief of Police had promised that the Portuguese Government would recognize Manchukuo and would join the Anticomintern Pact.

Koo added that this alleged Portuguese action seemed to him to be connected with another bit of information. His Government had telegraphed him that a deputy of the Japanese Parliament, Koyama, was about to make a trip to Europe for the purpose of lining up European states for a conference to "revise" the Nine Power Treaty. He said that it was believed that Koyama would first visit Italy and Germany and then

Holland,



793.94/14781

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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

15468

CA

--2--415 from Paris..

Holland, Belgium and Portugal; and that he would attempt to obtain the support of these states for a "revision" which would in fact eliminate the Nine Power Treaty from the international arena.

(END SECTION ONE)

BULLITT

ROW NPL

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

15467

TELEGRAM RECEIVED

CA

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

FROM

PARIS

Dated March 6, 1939

Rec'd 6:21 p.m.

Secretary of State

Washington

415, March 6, 8 p.m. (SECTION TWO)

He added that the British and Americans had stated to the Japanese Government that if the Nine Power Treaty was to be revised it should be revised by an orderly conference and that he thought the Japanese were now preparing the ground for such a conference by attempting to line up a majority of the original signatories of the Nine Power Pact and later adherents so that, if such a conference should be eventually held, England, France, and the United States would find themselves in a minority.

The Chinese Ambassador said that he had recently made ^{three} suggestions to the French Foreign Office. The first that exports from French Indo-China to Japan of raw materials useful to Japan in war should be prohibited. He had just been informed by Leger that this would be done.

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BULLITT

NPL ROW

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

15468

TELEGRAM RECEIVED

CA

FROM

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

PARIS

Dated March 6, 1939

Rec'd 7:40 p.m.

Secretary of State

Washington

415, March 6, 8 p.m. (SECTION THREE)

Second: He had suggested that transit for all mater-
 ials including implements of war over the French railroad
 through Indo-China should be permitted. He had now received
 the reply that the French decree forbidding this would be
 replaced as the basis for shipments by Chapter One of the
 Geneva Convention of 1925 on control of international trade
 in arms and munitions. He stated that this would enlarge
 considerably the list of articles which could be shipped
 over the Indo-China railroad but would still forbid shipment
 of pistols, rifles, shells, tanks, artillery and other/imple-
 ments of war. The shipment of planes for civilian use would
 be permitted but not planes for military use.

He had also suggested that, as a means for bringing
 greater pressure on Japan, the French, British and American
 Governments by administrative measures, simultaneously but
 not jointly, should diminish sales of Japanese goods in all
 their territories. He stated that the French Government had
 replied

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

15469

CA

--2--415 from Paris, Section 3..

replied that it could find no support for such a
proposal in the United States.

(END OF MESSAGE)

BULLITT

ROW NPL

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

EDA

GRAY

HONG KONG VIA N.R.

FROM

Dated March 7, 1939

Received 4 a.m.

Secretary of State

Washington

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

Division of
FAR EASTERN AFFAIRS
MAR 7 - 1939
Department of State

84, March 7, 9 a.m.

793.94/14770-10

Referring to my telegram No. 77, March 3, 9 a.m.,
according to confirmation copy just received from Saigon
last sentence of the penultimate paragraph should read
"to establish Chungking Hanoi service".

Repeated to Chungking, Yunnanfu.

SOUTHAHD

DDM

793.94/14782

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FILED
MAR 8 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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 10, 1939.

Tsinan's No. 26 of January 23 to Peiping discusses Japanese policy and progress in Shantung. The ability of the Japanese to hold lines of communication and maintain railway service even though garrisons are extremely small is explained by the severity of their policy. Chinese villages closest to the scene of any guerrilla activity are razed. Chinese Eighth Route Army units appear to be dispersed throughout Shantung but have remained aloof from guerrillas and guerrilla activities. In contrast to the latter they are well thought of by the people. Some American missionaries are apprehensive of this growing communist influence. It is rumored that Yu Hsueh-chung will soon be appointed Governor or guerrilla commander in Shantung by the National Government. Although the railways are kept open by the Japanese freight facilities are totally inadequate. Transportation of Japanese goods does not, however, appear to be as greatly handicapped as transportation of foreign goods.

*This is an interesting despatch.
 You may wish, if you have the time,
 to read it.*

V.

J
 FE:Penfield:REK

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

No. 26

AMERICAN CONSULATE,

Tainan, China, January 25, 1939.

1939 MAR 7 PM 12 40

RECORDS

SUBJECT: SOME ASPECTS OF THE POLITICO-
 MILITARY SITUATION IN SHANTUNG.

COPIES SENT
 ONE COPY

FOR EASTERN AFFAIRS

Willys R. Peck, Esquire,

American Chargé d'Affaires ad interim,

Peiping.

RECEIVED
 DEPARTMENT OF STATE
 MAR 1 1939
 ASSISTANT SECRETARY
 OF STATE

Sir:

I have the honor to report that, while there is some evidence of a recent strengthening of Japanese military forces in Shantung, particularly along the Tsingtao-Tainan Railway, it is really amazing to the accidental observer that the small Japanese forces employed can hold the lines of communication in this province and maintain anything like a regular railway service. At such an important place as Chowtsun until recently the Japanese garrison numbered less than 200 men. To damage railway tracks and prevent trains from running requires neither military training nor arms and, considering that there are some 40 million people in this province, Japanese success in the operation of the former Chinese Government Railways indeed appears incredible. But when one considers the reign of terror by which means alone the Japanese are succeeding in this direction, the results are not so miraculous after all. It must be admitted that self-preservation is a natural instinct characteristic of all humanity, especially when

reduced

793.94/14783

F/FG

14783

DECLASSIFIED: E.O. 11652, 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 -

reduced to dire circumstances, in consideration of which the docility of the natives of chaotic Shantung is not difficult to understand. Let us for a moment pause to find out what happens when a section of track or a railway bridge is damaged. In such a case the Japanese merely fix the blame on some near by village or villages and proceed to raze it (or them) to the ground, as in the case of Hamatsun (蝦蟆村) and several other towns and hamlets between here and Tsingtao, the remains of which are plainly visible from the train. This is equally true when a guerrilla attack occurs, such as the attack on Tsinan last August, following which Paliwa (八里窪), south of the city, was destroyed. In this connection, and with reference to the Consulate's telegram no. 2, of January 18, 3 p.m., sent to the Department and repeated to the Embassy, concerning the recent abortive expedition against the guerrillas in the near by hills, in which, it has subsequently been learned, the Japanese "liaison officer" attached to the Lich'eng Magistracy was killed, today's edition of the SHANTUNG HSIN MIN PAO states that "the Commander of the Japanese Garrison Forces and the Magistrate of Lich'eng have circulated a joint letter of admonition among the populace in the vicinitywho offered resistance to the Japanese Army in conjunction with the bandits under the bogus magistrate on the 15th," and that "as a result of investigation by the Japanese Army the inhabitants of the villages near Ta Fu Sau were discovered to be disguised bandits, hence the necessity for burning those villages."

What happens to the population of such villages may

well

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

- 3 -

well be imagined. At best they are rendered homeless and must seek refuge in the country side, if they are fortunate enough to anticipate the approach of the Japanese troops in time to escape. In the circumstances, is it any wonder that the people are not only reluctant to arouse the ire of the Japanese, but at times even disclose guerrilla activities to the Japanese in an effort to save their own skins? Life in Shantung has always been a hard and very real proposition, and good government is a thing absolutely alien to the people. And notwithstanding what has been written and said about the growing national spirit in China, the civic interest of the people of this part of the country does not extend far beyond the native village.

But while the Japanese are maintaining railway communications more or less uninterruptedly, inadequate freight facilities, due at least in part to heavy military demands for rolling stock, continue to make it necessary to transport important quantities of goods by mule cart to distant points along the railway lines. However, it may be safely stated that military necessity is not the only deterrent to the transportation of foreign products such as kerosene, for instance. While it is true that American oil companies are experiencing difficulties in obtaining freight space for stocks demanded by interior markets,¹ it is very probable that the distribution of Japanese kerosene is not being so greatly handicapped by lack

1. See Tsingtao's despatch to the Embassy no. 391, of January 17, 1939, subject: "Japanese Railway Control."

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

- 4 -

lack of railway transportation facilities. Over 11,000 (10 gallon) units of Japanese kerosene arrived by rail at Tsinan during December 1938, or about the same quantity as was imported by the leading American oil company whose brand is well known and long established in this market.

Units of the Eighth Route (Communist) Army appear to be dispersed throughout Shantung and to constitute, at least potentially, the major force now opposing the Japanese invasion of the province since the withdrawal of Shih Yu-san from this area in December.¹ The pro-Japanese press frequently carries reports of Japanese engagements with "communist bandits", of which the following is typical:

"On January 3 at 8 p.m. Japanese units, which were operating in the area of Kaokiaschi (about 8 kilometers east of Wukiao) against a guerrilla band (about 1,000 strong) of mixed communists and bandits under Chang Kuo-shi, dealt a crushing blow to the latter, who left behind 370 bodies. The Japanese military occupied Wukiao (about 30 kilometers north-east of Tehsien) on January 3 at 8 p.m. Large quantities of arms and ammunition were captured. The Communist Youth Training Office, three barracks and the headquarters of the bogus government were all set on fire."

Wukiao (吳橋) is just beyond the Shantung border in Hopei, and is less than four miles east of the Tientsin-Pukow Railway. The report quoted above is probably exaggerated, since these bands will seldom risk an engagement with Japanese troops, but usually withdraw in the face of a Japanese advance. The 370 bodies, if indeed there were so many casualties, were probably those of innocent villagers. The Japanese are reputed to shoot as "suspicious characters" everyone who attempts to follow the natural

impulse

1. See Consulate's despatch to the Embassy no. 24, of January 17, 1939, subject: "Dissension among Shantung Guerrilla Leaders."

- 5 -

impulse to run away at their approach, regardless of age, sex or condition.

Members of the Eighth Route Army are active in organizing "Communist Youth Groups" which latter are carrying out intensive anti-Japanese propaganda campaigns, including lectures and plays depicting Japanese cruelties. They remain aloof from the guerrillas and are well thought of by the populace because of their considerate treatment of the people. It is said that, for the moment, they are avoiding any clash with the Japanese and are merely recruiting men, training them in both military tactics and Communist precepts, and awaiting arms and munitions, which they are said to be receiving some how through the Japanese lines. Some groups have ammunition but have not yet been supplied rifles, while others have rifles but no ammunition. They are said to maintain rigid discipline and to obey implicitly the orders of their commander, who remains anonymous, being referred to merely as the Su Ling (司令).

Certain American missionary observers are quite apprehensive lest Communism gain a strong foot-hold in this part of China, contending that present chaotic conditions provide a fertile field for the growth of Communist ideas, the seeds of which are being widely sown by the Eighth Route Army. These observers are firmly convinced that should the Japanese withdraw the Communists will assume control of large areas of this province. However, anything would be more welcome to the people than the Japanese yoke.

It is rumored that General Yu Hsueh-chung (于學忠) is to be appointed by the National Government as Governor of Shantung to succeed Shen Hung-lich (沈鴻烈), whose influence

0391

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

- 6 -

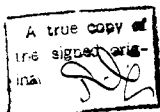
influence is considered too limited because of the small military forces at his command. General Yu commanded the 51st Army, consisting of two divisions, which formerly garrisoned the Tsingtao area. It will be recalled that, allegedly under orders from higher military authority, Yu withdrew his forces from Tsingtao in December 1937, prior to the Japanese occupation, after having constructed miles and miles of trenches and other defense works. The present whereabouts of General Yu is unknown. Another rumor has it that General Yu has been made "Commander in chief of Guerrillas in the Shantung War Area," and that Shen will be second in command but will retain the Governorship under the National Government.

Respectfully yours,

Carl O. Hawthorne,
American Vice Consul.

800
COH/KCG

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



1391
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Dunston NARS, Date 12-18-75

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

3/9

~~for~~ ~~text~~ ~~text~~ ~~text~~

You may care to read
brief quoted passage from
letter of a missionary
describing conditions in
Tungchangfu on the Grand
Canal in western Shantung
2/10/72

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

No. 28

AMERICAN CONSULATE,

Tsinan, China, January 26, 1939.

1939 MAR 7 PM 12 39

RECEIVED
 DEPARTMENT OF STATE
 MAR 7 1939

SUBJECT: CONDITIONS IN TUNGCHANGFU.

Willys R. Peck, Esquire,

American Charge d'Affaires ad interim,

Peiping.

RECEIVED
 DEPARTMENT OF
 FAR EASTERN AFFAIRS
 MAR 11 1939
 Department of State

Sir:

I have the honor to refer to this Consulate's
 despatch to the Embassy, no. 8, of December 6, 1938,
 subject: "Fall of Tungchangfu," and to quote the fol-
 lowing from a letter addressed to this Consulate on
 January 20, 1939, by an American missionary at Tung-
 chang, on the Grand Canal in western Shantung, con-
 cerning present conditions in that region:

"At present, although there is no very big
 affair going on, still I have it on hearsay, that
 the so-called guerrillas hereabouts, are more
 robbers than anything else. Reverting to type,
 I guess, since they were more or less turned into
 an "army" by the late Fan dehu-sien, who had
 gradually won them over from robbing, especially
 in Tangyi, Guanhsien, and districts to the South
 of here. The Japanese seem to be gradually con-
 solidating their position, having possession of
 Tungchang, Boping, and Gaotang. However, they
 don't seem to be able to get the people to return
 here to Tungchang in any great numbers. The town
 is pretty dead. Of course, it goes without saying
 that due to the conditions (instability and loose
 bands of "guerrillas") prevalent in the countryside,
 some 20 li or so beyond this town, we missionaries
 can not perform our work as in ordinary times.
 Doctrine schools and the like are practically non-
 existent.

"However

DEPARTMENT OF STATE
 MAR 1 1939
 ASSISTANT SECRETARY
 OF STATE

793.94/14784

F/FG

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

- 2 -

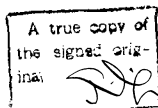
"However, The Japanese Authorities have been very decent towards us, putting absolutely no hindrance on our movements. Of course, not long after the Japanese were established here, and a couple of Military Police called on us, we tried to make it clear to them that we were officially and unofficially not connected with the political situation. Naturally, being foreigners, some not understanding the idea of a missionary and a Catholic priest, we might be looked on as quasi-spies. But, I think they comprehend our situation. I understand, too, that they have shown themselves very polite and reasonable towards The National Holiness Mission, an American Protestant establishment, outside the walls at Dungkuan, (East suburbs)."

Respectfully yours,

Carl O. Hawthorne,
 American Vice Consul.

800
 COH/KCC

Original to Embassy, Peiping,
 5 copies to the Department,
 Copy to Embassy, Chungking.



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

CONFIDENTIAL

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

DEPARTMENT OF STATE
 February 3, 1939
 RECEIVED NOTED

S:
 Mr. Secretary.

FFB 3-1939

There is attached an aide-memoire from the British Embassy which was handed to Mr. Welles on January 25 by the British Secretary. In this ~~memorandum~~ there are set forth certain views of the British Government in regard to the question of the feasibility of instituting measures of retaliation against Japan. The British Government states that it would like to receive the views of this Government on this general subject.

There is attached also a copy of London's confidential telegram No. 127, January 30, 8 p.m., the second paragraph of which is pertinent to this matter.

In considering the general question discussed in the British aide-memoire, it is believed that you will wish to read the memorandum under date December 5, prepared by certain officers of the Department, on the subject "Steps of a Positive Character Which the United States Might Take against Japan in Retaliation for Japan's Injury to American Rights and Interests in China: Examination Thereof"; also Mr. Hornbeck's memorandum of comment to Mr. Sayre under date December 22. Copies of these two memoranda are attached.

At the suggestion of Mr. Welles, we have arranged with your office for a conference

with

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139
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

STRICTLY CONFIDENTIAL

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

- 2 -

with you on the general subject of Far Eastern
policy. The time arranged for the conference
is tomorrow (Thursday) at 3 p.m.

mmh

Enclosures:

British aide-mémoire;
London's telegram,
January 30;
Memorandum of December 5
with Mr. Hornbeck's
memorandum of comment
of December 22.

FE:MMH:REK

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

Handed to Mr. Weller 443
 by the British Charge
 D'Amico, no. meet.
 I-25-39.



AIDE MEMOIRE

See memorandum of
 conversation of Feb. 3, 1939
 between British Charge and Mr. Weller.
 HAN

On instructions from his Government

the First Secretary of the United States Embassy
 in London enquired on November 3rd what further
 measures His Majesty's Government might think
 suitable in the event of the Japanese Government
 replying unfavourably to the parallel approach
 which it was proposed to make in the matter of the
 navigation of the Yangtze.

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File.

2. His Majesty's Government thereupon under-
 took a detailed study of the whole question of
 the feasibility of instituting measures of
 retaliation against Japan, a matter to which
 they had already given much thought during the
 preceding twelve months, without however finding
 it possible to devise any measures on the part of
 the United Kingdom which could be relied upon
 with any real certainty to achieve the objects
 desired within a reasonable period of time.

3. Their earlier examination of this subject
 in November 1937 had led them to conclude (a) that
 Japan would be able to continue military operations
 for some months without further importation of
 essential war supplies except possibly certain
 mechanised transport and aviation spirit: (b) that
 an embargo by the British Empire and the United
 States of America on selected commodities required
 by Japan would cause her serious difficulty, but
 that/

793.94/14785

MAR 8 1939

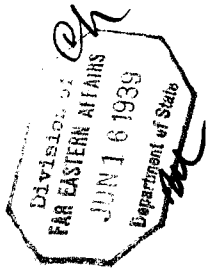
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Confidential File

793.94
 711.94
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Copies sent to London,
 Paris, Tokyo

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

444

-2-

that in the absence of a world-wide scheme of international retaliation Japan could not without a state of war between her and the retaliating countries be prevented from acquiring supplies from alternative sources in non-retaliating countries and by means of entrepôt trade through these two countries: (c) that an embargo by the British Empire and the United States on all Japan's export trade would be highly embarrassing for her and might in the long run prove decisive owing to her inability to pay for imports; but that no decisive effect could be expected for a considerable period: (d) that a refusal by the British Empire and the United States of bunker facilities and of use of their ports to Japanese shipping would increase economic pressure on Japan although it would not prevent the conveyance of goods to and from Japan: that Japan would however probably regard action directed against her shipping as especially provocative and might well retaliate against United States and British shipping in the Far East: (e) that the cooperation of other countries with the United States and the British Empire would intensify to varying extents all the different forms of pressure: but that as regards Japanese imports, the participation of any number of countries conceivable in present circumstances could not entirely prevent Japan from acquiring necessary supplies of raw materials. Their participation would, however, increase the temporary dislocation 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

445

-3-

of Japan's trade and force her to pay higher prices for her supplies: and the effect on Japanese exports would be more pronounced if the Netherlands, France, Egypt, Belgium, the U.S.S.R. and the Argentine cooperated: (f) that as regards the counter effect on those, by far the largest part of the loss of trade would fall on certain overseas countries, notably India and Australia: (g) that the adoption of measures sufficiently drastic to have any prospect of achieving the results desired would involve the risk of grave counter-measures by Japan and may lead to war. The foregoing conclusions related particularly to the imposition of formal sanctions as a political weapon for the arrest of Japan's aggression in China. They would apply, however, with approximately equal force to economic reprisals designed as a measure of defence against injury by Japan to specific interests in China.

4. The reconsideration which His Majesty's Government in the United Kingdom have given to this subject since the United States' inquiry in November has confirmed their view that the above conclusions were well founded and still hold, although, of course, the deterioration in the economic position of Japan since November 1937 has shortened the period in which an embargo on Japan's export trade might now be expected to have a decisive effect.

5. Indeed, His Majesty's Government in the United Kingdom are advised by His Majesty's Ambassador

at/

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

446

-4-

at Tokyo that the placing of an embargo on imports from Japan by the British Empire and the United States would in present circumstances have an immediate and disastrous effect on her whole economy and that the present moment is particularly favourable for action, when the Japanese army are so deeply involved in China and when the prospect of future economic and financial difficulties is beginning at last to be present to the minds of competent Japanese leaders.

It may be added that British business firms in China, who would undoubtedly be the first victims of Japanese counter measures, are of the opinion (in which His Majesty's Ambassador in China entirely concurred) that retaliation in some form (e.g. denunciation of the Anglo-Japanese Commercial Treaty) is the only effective method of countering Japanese designs.

6. Denunciation of the Anglo-Japanese Commercial Treaty would not enable immediate action to be taken owing to the period of notice required. In the meantime the restrictions which might be placed on Japanese imports into British Colonies or into, say, the Philippines could not be made effective, while reprisals not involving the infringement of Commercial Treaties would necessarily be very limited in scope.

But the giving of such notice would in any event be a very serious warning to Japan, and His Majesty's Government in the United Kingdom will be glad to know whether the United States Government consider that denunciation or the threat of denunciation

in/

-5-

in itself would produce a deterrent effect.

7. If, as is only too likely during the period of notice fresh action were taken by Japan to infringe the treaty rights of His Majesty's Government or of the United States Government, it would be a matter for consideration whether in view of Japanese action we could take retaliatory measures before the stipulated notice had expired.

Whether notice of denunciation had been given or not, it may be possible to argue that the material damage to United States and British interests resulting from Japan's disregard of her obligations under the treaties to which we are all three parties has been such that Japan has no right to complain if we act in a manner incompatible with other treaty obligations between Japan and ourselves or if, as a measure of retaliation or as a means of obtaining redress and reparation, we take action against her which would otherwise be illegal, so long at any rate as the retaliatory action is in proportion to the wrong and, as near as may be, similar in kind. If such action were legitimate it would obviate the need to await the expiration of the notice of denunciation before putting into effect any retaliatory measures, at least of proportionate extent and approximately similar in kind, which may have been decided on.

8. His Majesty's Government in the United Kingdom will welcome the views of the United States Government/

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

448

-6-

Government on this point, and any indication they see fit to furnish as to the conclusions to which their own consideration of the whole matter has so far led them. If the United States Government has found it possible to formulate any definite proposals, His Majesty's Government in the United Kingdom will, of course, be happy to examine them with a view to possible parallel action. Any proposals, however, would have to be referred by His Majesty's Government in the United Kingdom to the Dominions and to the Government of India and the Government of Burma on whom, as stated above, by far the greatest part of the loss of trade would fall. The United Kingdom Government might also have to introduce special legislation if effective measures of retaliation were to be instituted against Japan. Should it be found possible to reach agreement on these points it would be necessary for all the governments concerned to consider what Japanese counter-measures, economic or military, e.g. against shipping or other interests accessible to Japanese action were to be apprehended and what contributions to the common defence each of the governments concerned would be prepared to guarantee.

9. A policy of retaliation cannot be embarked upon without a clear realisation as to what it will lead to if pursued to the end - and the objections to embarking on such a policy and then being forced to retract are self-evident. Whatever may be the initial

step/

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

449

-7-

step in a policy of retaliation the real problem is the political dilemma that non-retaliation may involve failure to protect treaty rights and the legitimate interests of British and American nationals against discrimination and the danger of eventual elimination by Japanese aggressions, while retaliation involves the danger of counter-measures and of war.

His Majesty's Government in the United Kingdom have hitherto been disposed to think that in the present state of Europe the right policy for the present is not to embark on retaliation.

But His Majesty's Government in the United Kingdom have not reached any final conclusion and it would greatly assist them to do so if the United States Government could inform them of any conclusions at which they themselves have arrived.

BRITISH EMBASSY,

WASHINGTON, D.C.,

January 25th 1939.

0403

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

June 28 1939

STRICTLY CONFIDENTIAL

No. *1574*

Edwin C. Wilson, Esquire,

American Chargé d'Affaires ad interim,
Paris.

Sir:

There are enclosed for your strictly confidential information a copy of an aide-mémoire of January 25, 1939 ¹¹⁴⁷⁸⁵ from the British Embassy and copies of memoranda of conversations, as listed below, in regard to the feasibility of instituting measures of retaliation against Japan.

Very truly yours,

For the Secretary of State:

Sumner Welles

Enclosures:

1. Aide-mémoire, January 25, 1939. *793.94/14785*
2. Memorandum of conversation of February 3 between the Under Secretary of State and the British Chargé d'Affaires.
3. Memorandum of conversation of June 5 between the French Ambassador and Mr. Hamilton.

793.94/14785

JUN 21 1939 PM

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0404

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

June 28 1939

STRICTLY CONFIDENTIAL

No. 1755

Eugene H. Doonan, Esquire,
American Chargé d'Affaires ad interim,
Tokyo.

Sir:

There are enclosed for your strictly confidential information a copy of an aide-memoire of January 25, 1939 from the British Embassy and copies of memoranda of conversations, as listed below, in regard to the feasibility of instituting measures of retaliation against Japan.

Very truly yours,

For the Secretary of State:

Sumner Welles

793.94/14785

Enclosures:

1. Aide-memoire, 793.94/14785
January 25, 1939.
2. Memorandum of conversation
of February 3 between the
Under Secretary of State
and the British Chargé d'Affaires.
3. Memorandum of conversation of
June 5 between the French Ambassador
and Mr. Hamilton.

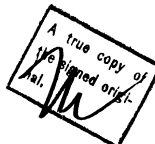
JUN 21 1939 PM

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FE: HJM

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FE: m.m.



F/FG

0405

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

EX-103

793.94/14785

STRICTLY CONFIDENTIAL

No. 822

The Honorable

Joseph P. Kennedy,
American Ambassador,
London.

Sir:

Referring to the Department's instruction no. 482
of February 7, 1939, there are enclosed for your strictly
confidential information a copy of an aide-mémoire of
January 25, 1939, from the British Embassy and a copy of
a memorandum of a conversation of June 5, 1939, between
the French Ambassador and an officer of the Department
in regard to the feasibility of instituting measures of
retaliation against Japan.

Very truly yours,

For the Secretary of State:

Sumner Welles

Enclosures:

1. Aide-mémoire, January 25, 1939.
2. Memorandum of conversation of June 5 between the French Ambassador and Mr. Hamilton.

793.94/14785

JUN 21 1939 PM

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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. [illegible] NARS date 12-18-75

DEPARTMENT OF STATE

ADVISER ON POLITICAL RELATIONS

February 4, 1939.

U.
Mr. Welles:

You will find interesting
the statements which I have marked
in the memorandum of a conversa-
tion with Mr. Kodama; also, the
comment by Mr. Ballantine.



Stanley K. Hornbeck

PA/H:SKH:ZMK

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS
FEB 1 - 1939 February 1, 1939

PA/H
Mr. Hornbeck:

Attention is invited to the statement contained in the penultimate paragraph of Mr. Fowler's memorandum of conversation with Mr. Kodama to the effect that, according to Kodama, Tiger Kani (who is apparently a Director of the North China Development Company, of which Kodama is President) was not a business man but knew many foreigners and had been told to keep calling on them and try to bring about a better feeling. This statement would seem to bear out the views expressed in your memorandum of January 27, 1939 that Mr. Kodama was apparently trying to do what so many prominent Japanese have sought to do in conversations with foreigners, namely, to dispel apprehension and impart an optimism that everything will soon be "all right". The name "Tiger Kani" may be a nickname, as I have never heard of such a Japanese surname as "Kani".

FE:Ballantine:HJN

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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

GENERAL AMERICAN TRANSPORTATION CORPORATION



MAX EPSTEIN
CHAIRMAN OF THE BOARD

135 SOUTH LA SALLE STREET

CHICAGO

January 27, 1939

Division of
FAR EASTERN AFFAIRS

JAN 31 1939

Department of State

Personal

Honorable Stanley Hornbeck
Chief
Far Eastern Division
State Department
Washington, D. C.

ADVISER ON POLITICAL RELATIONS
MR. HORNBECK

JAN 30 1939

DEPARTMENT OF STATE

My dear Mr. Hornbeck:

193.94

I just received a communication from Walter Fowler in which he refers to his visit to Manchuria to see some of the Jap officials and he encloses memorandum of his conversation with Mr. K. Kodama which I thought would be of interest to you. You may keep same.

He remarks that while up there he found that since the United States Government made the advance of twenty-five million dollars the Japs have the jitters worse than ever.

Kindest regards.

Sincerely yours,

Charles F. Smith

ME:f
enc.

793.94/14786

F/HG

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

Memorandum of conversation with Mr. K. Kodama. 3PM-5PM Dec 15, 1938.

I congratulated him on his courage in coming out of retirement to take over duties that might not prove easy. He replied that the Finance Minister was an old man and had reminded him that all Japan was mobilised, that each man must do his duty, recalled that in March 1937 he was the head of the Jap-Sino cultural society and a guest of the Chinese Govt, went to Nanking in a private car where he was the guest of Gen Chang Kai Shih, that in the Nanking station last week he saw that private car and it made him feel "very funny"

He said he did not know how the Railways in Central China would be handled, that they may be declared a war prize, or they may be turned back to the Natist Govt, or some might call it a puppet Govt, but that the Peking Hankow Ry would be handled by the North China Co. That passed our P-H-Ry claim back to Peking. His purpose was to make Shanghai a flourishing city with help of third powers. but it would take perhaps two or maybe more years before conditions were such that he or his successor could make headway, but that any success would have to be such that Japan would have to benefit as well as third powers.

I asked what he really meant by inviting third ^{powers} to assist in rehabilitating and developing the country, if it was the idea that third powers put up the money and the Japanese would run the show, he replied by asking me what I would say if he asked me to put up half of the money for a car plant without having an equal share in the management, I replied that I would tell him to jump in the river, he laughed and said, certainly, and the responsible Japs realised that, I suggested that he make it plain in his interviews, but he said that now was not the time to talk. Referred to some article in the London Times, and other foolish questions brought up in the House of Commons.

We talked of the North China Railways and he expressed the idea that our claim was against the Natist Govt, that the military might consider the Railways a war prize. That was hitting below the button and I explained our car accounting agreement in emphatic words, he then agreed that our claim was different to the claims on central China Railways. I got the impression that on the Central Rys, financed by British the Japs are now considering, the present value of them and cost of rehabilitation, in other words are the railways an asset as a war prize or will it cost more than they can put up, and had they best make a play by handing them back to the British bond holders, who will agree to put them in shape. (Then perhaps in another 5 years find some reason to take them)

He was anxious to talk, said that he had always said there was no reason to hurry, but since taking on this job he had flown for the first time and it was certain that he would have to travel many times between here and Tokio. He referred to Chang Kai Shih being the cause of it all, I remarked it seemed to me a terrible thing to let a nation's feeling against one man bring about such destruction and loss of life. He agreed, but said it was too late now. I said that it would be very difficult to get responsible Chinese to take up Govt jobs they were afraid of their lives, he said that he was in the same fix.

I asked him if it were true that Tiger Kani was one of his directors, and what Kani's duties were, he replied that Tiger was not a business man but he knew so many foreigners that he had told him to keep calling on them and try to bring about a better feeling. I mention this which will remind me of other things said that I won't put down. He said that there were too many Japs talking that didn't know what they were talking about.

He made the definite statement that the NCDCo would get absolute control of the Railways, but he didn't know when it would be, thought within a month, and when I told him of my last letter from Peking, Nov 22, he became very excited for a minute and made some notes and I believe took the view I have that it definitely put the responsibility on the Jap Govt.

Did you see this from M.C.B.

0405

DECLASSIFIED: E.O. 11652, 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 4, 1939.

My dear Mr. Epstein:

I have received and read with interest your letter of January 27, 1939, and its enclosure, a copy of a memorandum of a conversation between Mr. Walter Fowler and Mr. K. Kodama.

I appreciate very much indeed your thoughtfulness in making available to me the information given in your letter and in the memorandum.

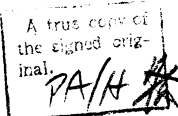
With cordial regards, I am

Yours sincerely,

STANLEY K. HORNBECK

Mr. Max Epstein,

General American Transportation Corporation,
135 South LaSalle Street,
Chicago, Illinois.



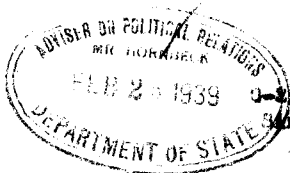
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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
 Department of State letter, August 10, 1972
 By Milton D. Gustafson NARS, Date 12-18-75



9-2 Digest of Information
 Sino-Japanese Situation
 February 10-24, 1939

G-2
 TJB

Division of
 FAR EASTERN AFFAIRS

FEB 25 1939

Department of State

NOTE: Situation Map does not accompany this report.

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

1. MILITARY OPERATIONS

a. The Japanese mopping-up operation between the Kin-Han and Tsing-Han railways is continuing. The forces committed are estimated at a minimum of two divisions. The area swept through has been extended some 60 miles to the south and apparently all large centers of population have been occupied. Apparently the Chinese have offered no large-scale resistance and there is a notable dearth of claims of tactical victories by either side. The Japanese have threatened to destroy all villages harboring guerrillas and to wipe out their male populations. Persistent but unconfirmed rumors continue that more Japanese troops are being shifted from Central China to the north.

Comment. This is the most ambitious pacification operation yet undertaken by the Japanese. It is being conducted on favorable terrain, except for the size of the area involved, and at a season of the year when the cover afforded by crops is absent. In character it is similar to the operations which proved effective in Manchuria in suppressing irregulars. It can be expected that it will inflict some losses and considerable disorganization on the guerrillas, and should serve to intimidate the populace to a marked degree. It should provide a definite test of the vitality of the guerrilla movement.

b. On February 14 a Japanese landing was made at Yulin Bay on the southern extremity of Hainan Island. The area seized is suitable for a naval establishment for the blockade of the Tongking Gulf and consequently the South Kwangtung coast and the Red River delta of Indo-China.

c. On February 16 the Japanese announced that amphibious operations impended in Taichow Bay and on the 21st some 10 warships and transports appeared in that area and blockaded the port of Haimen. The small size of the expedition and a study of the terrain suggest that the eventual occupation of Tanchow is contemplated. Tanchow, whence large tea exports are shipped, is now a source of considerable customs revenue to the Chinese National Government and through it war supplies are entering in fairly large quantities.

2. MISCELLANEOUS

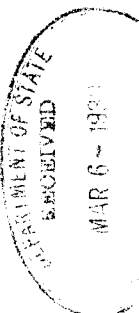
a. Border skirmishes continued on the Argun River frontier between Manchoukuo and the U.S.S.R. on February 12 and 13.

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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

b. On February 21 a Japanese plane engaged in punitive operations dropped a bomb within the limits of the British colony of Hongkong, killing an Indian policeman. In response to a protest by Ambassador Craigie the Japanese Government on February 23 expressed regret, undertook to pay damages and gave assurances against the recurrence of the incident.

c. On February 13, in response to inquiries from Great Britain, France and the United States, Foreign Minister Arita gave assurances that the Japanese occupation of territory in Hainan was purely military and temporary in character.

d. Efforts to facilitate the evacuation of foreigners from Kuling resulted on February 22 in the escort of 43 persons to Kuikiang. Seven of these were American citizens. A considerable number of foreigners, including several Americans, refused to take advantage of the opportunity to leave.

e. The People's Political Council met at Chungking in its third session on February 12, adjourning on the 18th, after five general meetings. The action taken by the council was purely advisory and patriotic but the session is significant as marking the continued limited participation in the government of China of representatives of groups external to the Kuomintang.

f. On February 21 it was reported that General Kita, former Peiping head of the Japanese Special Service Section had returned to that city after a flying trip to Tokyo. On the 23d apparently well grounded reports were current that he was the exponent of a new modification in Japan's plans for the political organization of China. The scheme in brief contemplates Japanese occupation and de facto annexation of North China, erection of a new Kuomintang Nanking government under the leadership of Wang Ching-wei, both of the above with the approval of Great Britain and the United States. Such a project appears logical and is in keeping with Kita's previous stand for a loosely organized China. However the difficulties attendant on all previous political plans for China, including both Japanese and Chinese dissensions, would seem to exist in this case also.

g. In Shanghai the Chinese New Year season was marked by extraordinary outbreaks of anti-Japanese terrorism. On February 19, Mr. Chen Lu, Foreign Minister of the Nanking Reformed Government, was assassinated in his home outside Shanghai's International Settlement. The killing was organized methodically and was clearly political in character. On the same day a Japanese mill was bombed and three Japanese were wounded by a Chinese gunman. Both of these acts occurred in the Settlement. On February 22 Li Kuo-chieh, former diplomat and reputedly pro-Japanese, was assassinated inside the Settlement's boundaries. The incidents of February 19 were emphasized in Japan and gave rise to agitation in 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

Diet for strong action, calls being made for the occupation of the International Settlement. Premier Hiranuma announced that the situation would be met. On February 22 Mr. Miura, Japanese Consul General at Shanghai, accompanied by the commanders of the Japanese naval landing party and the Japanese army garrison called on the Chairman of the Municipal Council and presented a series of five demands. Their tenor was for the general strengthening of police measures against anti-Japanese terrorism, and their most striking features were a demand for the strengthening of the Japanese branch of the municipal police and for authority for all Japanese law enforcement agencies to operate at will in the Settlement.

Comment. There can be no question but that the Settlement is a haven for Chinese anti-Japanese activity and hence has aroused Japanese resentment. The Japanese have worked consistently for a greater degree of participation in the Settlement's government. A large element in Japanese ruling opinion hopes that the Settlement will be abolished in due time or wiped out by competition from adjoining commercial and industrial areas. All these trends find expression in the current series of demands. In view of the fact that the Japanese undoubtedly expect the eventual Japanese-sponsored government of China to effect retrocession of all concessions, it would appear that any action they now contemplate should stop short of military occupation of the area. Strong economic pressure and effective nuisance measures would seem to be in prospect, but in the absence of irresponsible action by local commanders, a limit to these activities should be foreseen.

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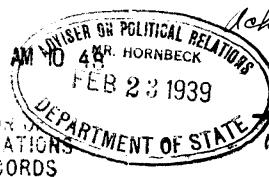
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

February 24 1939

RECEIVED
Greenwich, Conn. Feb. 21st. 1939.
DEPARTMENT OF STATE

793.94
Mr. Stanley K. Hornbeck,
Chief, Division Far Eastern Affairs,
Washington D. C.

1939 FEB 25 AM 10 45
DIVISION OF
FAR EASTERN AFFAIRS



Dear Mr. Hornbeck,

I am enclosing copy of another letter I have addressed to Senator Pittman, as chairman of the Foreign Relations Committee.

I cannot escape the conviction that our Government is making a serious mistake in its attitude toward Japan. That Japan deserves the sympathy of our Government in its struggle with the hostile surroundings, seems to me self evident. How we can reconcile our unfriendly attitude to her situation, with our manifest concern and unceasing efforts to sustain a paramount place in the South American interests, seems impossible of attainment. Suppose a situation of hostility to our interests should develop in South America, and continue over a period of many years, resulting in conditions we felt should be dealt with. I am sure we should resent most strenuously any question which Japan might make to us as to our designs. Why should we continue to irritate Japan with enquiries and notes after she has made a clear statement of her purposes to respect American rights in the final solution of the present conflict?

Surely a spirit of friendly confidence would put us in a far more favorable situation to influence Japan to a reasonable course of international relations, than can be accomplished by a tacit assumption distrust of Japanese assurances.

Perhaps I am unduly optimistic in thinking I could have any

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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

favorable effect on the Foreign Relations Committee, but it seems it might be worth trying. It might happen that the representations of an entirely disinterested person, who had exceptional opportunities over practically the whole period during which the present situation was developed, might present the case in a different light.

Thanking you for your very courteous acknowledgments of my communications,

Yours respectfully,

T. J. League

From
 T. J. League,
 114 Buist Ave.,
 Greenville S. C.

0 4 1 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

Greenville S. C., Feb. 17th. 1939.

Hon. Key Pittman,
U. S. Senate,
Washington D. C.

Dear Senator Pittman,

In spite of the fact that I have no acknowledgment of my letter to you of the 24th. Ult., I am venturing to write again on the same subject. In the meantime I have seen some quotations from you on the Sino-Japanese matter, indicating quite a strong anti-Japanese sentiment. I should no doubt have realized that it was too much to expect of one letter, where a contrary conception has been prevalent for a good long while. I did however hope that the facts as stated would have ^{engaged} ~~engaged~~ your attention to extent of causing you to reserve judgment till the evidence presented might be carefully considered.

The importance of the issues in the Far Eastern affairs I am sure must occupy a large place in your concern, and I should like to call your attention again to the consideration of what my presentations imply. If my views seem to you extreme, please consider the unusual opportunity afforded me to follow the whole course of development from the time of the first Sino-Japanese episode in the late eighteen eighties, culminating in the conflict of 1894-5, to the present. Add to that the fact of never at any time being influenced by any personal interest either of advantage or disadvantage, and I believe you will agree that my total disagreement with the popular conception of what has happened in the case under consideration, merits serious attention.

More especially is this true, when it appears that with a clearer understanding of the sequence of events, there emerges the

reasonable ground for the hope of such an understanding as will secure to the U. S. a friendly naval power on the side of the Pacific opposite to us. Surely such a possibility is worth looking into. I am sure it is no mere dream. That a friendly and understanding approach to Japan would be welcomed by Japan, I have every confidence. That the facts as they have developed over the fifty years just past, entitle Japan to such an approach, I am equally confident of. That the U. S. would greatly benefit by such an understanding, removing at once the ground for endless suspicion, uncertainty and dread, which lacking such understanding will continue a perpetual menace, is abundantly manifest.

I realize that there would be required a serious reversal of policies long adhered to, but ^{that} these policies have been developed under the force of misconceptions as to the real relations of the events which produced the situation to be dealt with, may be set forth with such clearness as to justify entirely a different attitude. That the American conceptions have been formed by misleading Chinese propaganda, is not merely an opinion of mine, but is capable of demonstration from other sources. Mr. J.O.P. Bland, whose well known ability as to Chinese affairs and reactions to Western impacts, has this to say with regard to the influences operating on American opinion at the time of the Arms Limitation Conference called by Pres. Harding. Mr. Bland Says:- "It was certain that the Chinese would do all in their power to create an atmosphere of hostility to Japan. In that they were completely successful. By appeals to the chivalrous support of the American people and charging that Japan had predatory designs on Chinese sovereignty, they completely won over American sympathy." The results of that are abundantly apparent.

In discussing the Chinese presentations before the League of Nations as to the Manchurian question, Mr. Bland says:- "In engaging and exploiting the benevolent sympathies of Geneva's sentimentalists and doctrinaires, China's suave intellectuals, Messrs. Wellington Koo and Alfred Sze, displayed all their characteristic acumen with the result that the League speedily became the sounding board for Kuomintang (China's National People's Party) propaganda and in more than one instance a center of Kuomintang intrigue. In all the negotiations and conferences that preceded the Manchurian debacle and the fiasco of the Lytton Commission, the League displayed such naive ignorance of the real condition of China as to invest its proceedings with fatuity."

Such opinions coming from a man of Mr. Bland's well known fairminded, as well as capable qualities, has great significance. Such opinions, in view of the issues at stake, although held by such an apparently hopeless minority, deserve the most careful consideration. I wish most earnestly and respectfully to urge that you take advantage of the possibility of having the evidence for such opinions placed before you for consideration. I have absolutely no ulterior motives. I am tremendously concerned with the conviction that our country is making a serious mistake in its attitude, and needlessly creating a condition of great danger to international peace and good will, which might so easily be prevented.

Again soliciting your sympathetic consideration,

Yours very truly,

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

February 24, 1939.

Dear Mr. League:

Your letter of February 21 and its enclosure,
a copy of your letter of February 17 to Senator
Pittman, are before me.

The spirit of helpfulness in which you write
is appreciated, and I thank you for your courtesy
in giving me the information contained in your
communications under acknowledgment.

Yours sincerely,

Stanley K. Hornbeck
Adviser on Political Relations

Mr. T. J. League,

114 Buist Avenue,

Greenville, South Carolina.

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FEB 24 1939 PM



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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

TELEGRAM RECEIVED

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

TSINGTAO VIA N.R.

FROM Dated March 7, 1939

Rec'd 4:04 p. m.

Secretary of State,

Washington.

45, March 7, 9 a. m.

Referring to the Consulate's telegram No. 41 dated
March 2, 2 p. m. 793.94/12/230

One. It is now apparent the warning to foreign ships
was connected with an attack on port of Haichow the
capture of which by Japanese forces on March 4 is given
much prominence in Japanese press which emphasizes the
importance of Haichow as the center of China's most
important salt producing area. In this connection see
pages 25 and 26 of this Consulate's report of January 27
last on the subject of Japan's program for exploitation
of China's salt resources.

Two. Press reports indicate that Japanese have
commenced a vigorous campaign to clean out Chinese troops
in northeastern Kiangsu in the region along eastern section
of Lunghai Railway between Grand Canal and Haichow (see
the Consulate's despatch No. 227 of August 2, 1938 subject
battle of Hsuehow in connection therewith).

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

REB

2-#45, From Tsingtao, Mar. 7, 9a.m.

Three. Reports from missionaries indicate Japanese
squeezing guerrillas unmercifully.

Four. To Embassies, Shanghai, and by mail to Tokyo.

SOKOBIN

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

(CONFIDENTIAL)

~~CONFIDENTIAL~~

PARAPHRASE

A telegram (no. 45) of March 7, 1939, from the American Consul at Tsingtao reads substantially as follows:

A vigorous campaign has been started by the Japanese to rid northeastern Kiangsu Province in the area between Haichow and the Grand Canal along the eastern part of the Lunghai Railway of Chinese troops, according to newspaper report. The guerrillas are being crowded mercilessly by the Japanese, according to reports from missionaries.

Japanese newspapers give much prominence to the capture by Japanese troops on March 4 of Haichow and they place emphasis on this city as the center of the most important salt producing region of China. It is evident that the warning which was recently given to foreign vessels was connected with an attack on Haichow.

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 REM

DECLASSIFIED: E.O. 11652, 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 7 1939

STRICTLY CONFIDENTIAL

No. 1651

The Honorable

Joseph C. Crew,
 American Ambassador,
 Tokyo.

Sir:

Referring to your strictly confidential telegrams
 293-515/1350
 No. 45, January 26, noon, and No. 53, January 31, 3 p.m.,
 and to the Department's telegram No. 28, February 4,
 1 p.m., in regard to a communication from the British
 Government on the subject of the feasibility of institut-
 ing measures of retaliation against Japan, there are en-
 closed for your strictly confidential information a copy
 of an aide-mémoire of January 25 from the British Embassy
 at Washington and a copy of a memorandum of a conversa-
 tion on February 3 between the British Chargé d'Affaires
 and Mr. Welles.

Very truly yours,

For the Secretary of State:

Sumner Welles

Enclosures:

1. From British Embassy,
 January 25, 1939.
2. Memorandum of
 February 3, 1939.

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2/6/39

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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

February 7 1939

STRICTLY CONFIDENTIAL

No. 482

Herschel V. Johnson, Esquire,
 American Chargé d'Affaires ad interim,
 London.

Sir:

893.51/4770

Referring to the Embassy's telegram No. 127,
 January 30, 8 p.m., paragraph two, in regard to a
 communication from the British Government on the sub-
 ject of the feasibility of instituting measures of
 retaliation against Japan, there is enclosed for your
 strictly confidential information a copy of a memo-
 randum of a conversation on February 3 between the
 British Chargé d'Affaires at Washington and Mr. Welles.

Very truly yours,

For the Secretary of State:

Sumner Welles

793.94/14789B

Enclosure:

Memorandum of
 February 3, 1939.



SEP 1 1939

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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

15470

TELEGRAM RECEIVED

EDA

PLAIN

CHUNGKING VIA N.R.

FROM

Dated March 8, 1939

Received 6 a.m.

Secretary of State

Washington

158, March 8, 10 a.m.

In a radio broadcast to the nation last night the Chinese Foreign Minister spoke at length on the subject of the so-called "new order in East Asia". In the course of his address Dr. Wang declared "the so-called new order for East Asia is, in fact, merely another name for the destruction of China's political independence and territorial integrity, complete domination of the Pacific by Japan, and the elimination of legitimate American and European interests in the Far East. It is absolutely irreconcilable with the letter and spirit of the Nine Power Treaty concluded at Washington in 1922 for the purpose of safeguarding the peace of the Pacific". Saying that the Nine Power Treaty embodies the two great principles of respect for China's sovereignty and independence, and her territorial and administrative integrity, and the open door and equal opportunity Dr. Wang asserted "Japan is one of the signatories of this international treaty,

treaty,

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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

5471

EDA - 2 - #158, March 8, 10 a.m. from Chungking

treaty, but by her action in the northeastern provinces, and by her armed invasion of North, Central and South China, she has violated the first fundamental principle of this treaty. Similarly, by her economic activities in the northeast, in North and Central China, she has definitely closed the open door to the detriment of the legitimate interests of third powers". Dr. Wang also stressed his belief in the importance of the Nine Power Treaty as the foundation of peace and stability in the Pacific area and added that disregard of this treaty and of the League Covenant and the Pact of Paris had brought down on Japan the moral censure of the entire world. In this relation he expressed the hope that the day would not be far off when Japan would be confronted with actual reprisals by those powers whose interests she had been seeking to destroy.

Repeated to Peiping for mailing Tokyo.

PECK

DDM

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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

Div. of Consular Affairs
RB
WAS

Tsinan, Shantung, China
November 28, 1938

793.94

My dear Friends:

I received a gratifying number of replies to my last letter, written in May. I do not expect all of you to answer every letter, but I do expect a note every year or two to let me know you are still living and would like to continue getting my letters.

In the past six months much has happened in the world at large as well as in China. But I shall confine myself chiefly to our local affairs, always expressing myself with a certain amount of reserve. On August 12th, there was an abortive attempt by guerrillas to take this city, and they actually entered the suburbs but were driven off. (Incidentally, the newspaper accounts of the "capture" of this place in the spring were absolutely without foundation.) The morning of the real attack, my wife and I went to the Hospital. We were not allowed to return home for two days - though we live only a hundred fifty yards from the Hospital compound - due to strict martial law. The University campus was searched for suspects, but not the Medical School and Hospital. Since then there have been more signs than before of real defense measures. Westerners are given passes and can come and go freely until the barriers are put up at six in the evening. Chinese are allowed to enter only certain gates, and then are usually searched.

After the incident in August, most of us felt it would be unwise to attempt to open the University and thereby collect a lot of students whom we would be powerless to protect. At that time we did not have a British or American Consul here, though I am glad to say that an American Vice-Consul arrived last week. Personally, I was opposed to opening, as I said we would be performing an experiment with the students as guinea-pigs. We had a conference in Tientsin late in June, with some of the members of the Board of Directors, and the President who had just returned from a visit to England and America. In October I left Tsinan again to attend a meeting of the Board of Directors and of the President, who had just visited West China. New Cheeloo students had already been enrolled in all schools in Chengtu, so it was definitely decided not to open in Tsinan at present.

At this meeting, my resignation as Acting President was accepted, so I am relieved of that responsibility. I have enough to do, in the Hospital, looking after the Medical School compound, and teaching Anatomy and Physiology to the nurses. We did not attempt to go away on a vacation this summer - travel is too uncertain. Trains are often held up as much as a day, or even returned to their starting point, because of the lines being cut by guerrillas. But we foreigners here have been fortunate in not being molested or investigated as people in many places have been. There has been no direct interference with the work of our Hospital, and both in-patients and out-patients are increasing.

While in Shanghai in October I saw Ewy, who returned in September to teach in the Shanghai American School. I was also glad to be able to attend a meeting of my own Mission, see many old friends, and get first-hand information from those who have had to meet difficulties and dangers in the Yangtse Valley. As you know, all lower schools had to be closed, and some of the colleges have moved into the International Settlement in Shanghai. I saw a large building in which over 2,000 students of four different colleges are being taught, with more or less cooperation as to teachers and laboratories. Government schools and some missionary institutions have moved out to West China, as did a part of our School of Medicine. So educational work is still being carried on, though under difficulties. Many hospitals had to be temporarily abandoned, though some -

793.94/14791

F/FG 14791

Dr. Shields

-2-

November 28, 1933

such as the University of Nanking Hospital - have remained in operation and others are gradually being reopened. Naturally Chinese members of the staff were in greater danger than the foreigners, but many of them stuck to their hospitals where possible. So far as I know, only one foreign doctor has been killed, though one of my friends was shot and wounded by a soldier in his own hospital compound. The foreign missionaries have had a wonderful opportunity, in the midst of terror and panic, to help and comfort in body and spirit unknown numbers of people. They have given a nation-wide demonstration of Christianity which is appreciated by high and low and which will bear fruit both now and in years to come, no matter what the military and political results may be.

You have all read something of the suffering and destruction that has been wrought in the past eighteen months. We know that the vast majority of people at home are sympathetic, and that you have contributed generously to Red Cross work. But the fact remains that a few of our nationals are making money out of all this, and by trading in oil, iron, cotton, silk, and other products are making possible the partial, if not complete, destruction of a nation. A pamphlet, presenting this situation, can be secured from the American Committee for Non-Participation in Japanese Aggression, 8 West 40th Street, New York City. I suppose that never in the world's history have so many millions of people been forced to leave their homes and to travel such long distances.

As to the future in general, and as regards our work, I am rather pessimistic. I still feel that if morale holds out it will not be possible for the victors to hold all the spoils. There is a long and thin line of cities, railroads, and rivers, through a vast country of which comparatively little is under their control. There are great numbers of bands - large and small - of patriotic or desperate men - some guerrillas, some bandits - roaming over the whole country; and they must have food and supplies. I fear we are going to see chaos on a tremendous scale - scattered and sporadic resistance, without coordination or regular support, which will be able to harass and damage, but not to expel. There will probably come a time before long when some sort of compromise peace will be patched up. If so, it is probable that the north, including Shantung Province, will have a government set up as has been done elsewhere. We are not now attempting to make definite future plans for the University, though we expect that the Hospital at any rate can carry on here.

Though we have been occupied with the troubles around us, we have also been deeply interested in news from the home countries, especially the terrible hurricane which swept New England and New York in September - from which I hope none of you suffered in person and property - and the war scare in Europe at the same time. I had hoped that the reactions of the common people everywhere would have convinced even Hitler that the people do not want war; but the latest news from Europe makes one wonder whether the conference at Munich was the beginning of an era of peace or the first step toward greater preparations for war. Certain States, not all in Europe, have so far been allowed to prove that Might makes Right, and to grow in territory and potential power, while the Democracies have had conferences and written notes. Would the world situation be different if a firmer attitude had been taken in 1931? Think of Manchuria, Ethiopia, Czechoslovakia?

Personally, we are very well and are living comfortably in our home. Our new dentist, a very nice Russian woman, lives with us. We expect Evy to visit us at Christmas. Ran is now resident in surgery at Lenox Hill Hospital, New York. I hope this letter will reach all of those to whom I am directing that it be sent. It carries the season's greetings to each of you, of whom I am thinking as I read over my mailing list.

Yours sincerely,

/s/ R. T. SHIELDS

[Letter V...]

DECLASSIFIED: E.O. 11652, 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

PLAIN

FROM Chungking via N. R.

Dated March 9, 1939

Rec'd 7:30 a.m.

PASSED BY RADIO CAVITE TO OPNAV FOR INFO.

State, War Department, Washington
Info Amilat Peiping.

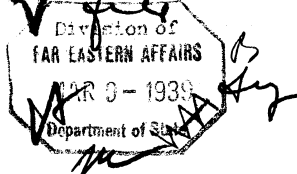
From Barrett.

March 9.

Number thirty-two.

Following from military spokesman at press conference yesterday. Center of military operations now in western Hupeh on Han River where Japanese strength is only about one division. At Yuehchow or Kokow Japanese are erecting defense works. Chungshiang has not been taken and although Japanese are attacking in three columns situation has eased somewhat following arrival of reinforcements. Japanese in Chungshiang area are using poison gas in both shells and canisters but are taking every means to conceal such use from foreigners. Spokesman did not mention Japanese column recently reported near Siangyang just south Honan border. In Kwangtung Japanese are on defensive due recent transfer of forces to North China and Hainan Island. Japanese strength on Hainan estimated one brigade and

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793.94/14792

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MAR 10 1939

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

-2- March 9, from Chungking.

and little activity there past week. No development
of importance have occurred in Shansi where the principal
Japanese activity is now in the Wensi area. The situation
in Thungkunan area is quiet. Summing up military situation
throughout China shows Japanese generally on defensive.

PECK

DDM

7431

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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. Chefoo/142 FOR Despatch # 45 to Embassy.

FROM Chefoo (Roberts) DATED Feb. 6, 1939.
TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations: Report concerning -,
for month of January, 1939.

ea

793.94/14793

14793

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

B. Relations with Other Countries:

1. Japan:-

(1) Military Situation

79394
 6-147

There is little change in the military situation about Chefoo and Weihaiwei. The Japanese continue to hold Weihaiwei and Chefoo with no control over any of the countryside outside of these two ports. The occupying forces extended their daylight raids along the Chefoo-Weihaiwei road for a distance of about 30 miles without any decisive results.

In early January the local Japanese garrison exhibited considerable nervousness apparently fearing an attack by guerrillas. Guards were doubled at the barriers and a more rigorous search of all travelers including foreign cars passing through the barriers was instituted. Foreigners were turned back from their customary walks even within a mile of the residential districts.

Reports are current that a part of the Chinese garrison revolted and joined the guerrilla and that
 the

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

- 7 -

the guerrillas under the command of Admiral Chen Hung-lich, C.N., Nationalist Governor of Chantung, have strengthened their organization after overcoming the Eighth Route Army faction in the Hwanghsien-Lungkow region.

Travelers returning to Chefoo from P'ing-tu, Hwanghsien and Laichow report engagements between the Chinese mercenary troops at P'ing-tu and the guerrilla forces holding Laichowfu. Between January 10th and January 20th military preparations and troop movements indicated some important action was about to take place. About five hundred of the Chinese ^{forces} mercenary/at P'ing-tu on January 10 marched towards Laichowfu. On January 13th the guerrilla forces made a night attack on P'ing-tu with a small force, probably for the purpose of holding the Chinese mercenary troops in P'ing-tu.

There was sharp fighting between the P'ing-tu mercenary troops and the guerrillas at several places between P'ing-tu and Laichowfu. In the final engagement on January 16, 1939, the guerrillas were defeated and the victorious P'ing-tu troops suddenly entered Laichowfu without opposition, barely giving the local officials and the guerrilla garrison time to escape. Missionary residents of Laichowfu report there was considerable looting when the P'ing-tu forces first entered the city but that it soon was stopped.

Missionaries traveling through the Laichowfu-Hwanghsien district report the motor roads between these two places are completely torn up to stop the advance of the Japanese equipped forces from P'ing-tu and Laichowfu.

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

- 8 -

The guerrilla forces at P'eng-lai (Tengchow) and Hwanghsien are said to have received orders to tear down the city walls. At P'eng-lai several hundred men began the demolition of the walls and then stopped. It is not known if the Hwanghsien officials destroyed their walls. At Laichowfu the occupying forces pressed the villagers into service and began the reconstruction of the Laichowfu walls. The work is of a temporary nature only to defend the city.

Along the coastal region the guerrilla plan appears to call for a withdrawal of the mobile forces into the hills when attacked by the Japanese or by the Chinese mercenaries. From their strongholds in the hills they expect to harass any invaders attempting to hold the coastal towns and the main roads. They are avoiding any pitched battle with the better equipped Chinese mercenary forces operating out of P'ing-tu and are prepared to retreat from the coast at the signs of any landing from the sea.

(2) Blockade of Shantung-Hopei Coast

On January 23, 1939, the Senior Japanese Naval Officer at Chefoo in a notice published in the Chinese press declared a blockade from P'eng-lai (Tengchowfu) to Ch'i K'ou in Hopei a few miles south of Taku. The order prohibits the operation of the Japanese, "Manchoukuo", and Chinese vessels in the blockaded area. The zone includes the Miaotao Group stretching from Tengchow Head to the Kwantung Peninsula. (4) (5)

The

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- (4) See radiogram No. 7, January 27, 9.00 a.m., to the Department, repeated to Peiping and Chungking.
 (5) Despatch No. 40 of February 2, 1939, to Department entitled "Blockade of Shantung-Hopei Coast" - copies to Peiping and Chungking.

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

- 9 -

The Marine Department of the Chinese Maritime Customs report that blockades have been declared about Ch'uko, Chaoyang Lagoon, to the west of Shantung or Northeast Promontory and Shihao Bay to the west of Southeast Promontory. These two places are not under the Senior Japanese Naval Officer at Chefoo. (5)

The blockade of the Shantung-Hopei coast probably has been established to stop smuggling of arms and petroleum products from Dairen by way of the Miaotao Group.

There has ^{been} a pretty persistent rumor that the guerrilla forces have been obtaining arms through Dairen. Certainly there are sufficient supplies of gasoline and kerosene smuggled in from Dairen to ruin the legitimate oil trade. Prices for contraband oil products along the Laichow-Tengchow coast are below the official prices for duty-paid stocks at Chefoo.

(3) Control of Exports and Imports

News of the Japanese plan to establish a control over exchange through an export and import license scheme first came to Chefoo from Weihaiwei on January 5th. Some of the peanut shippers heard that on January 15th restrictions would be imposed on all exports. From a confidential source it was learned that at Chefoo the Japanese Consul, the Acting Commissioner of Customs, the Manager of the Yokohama Specie Bank and the Japanese Naval authorities had held a number of conferences over the restrictions to be imposed on the import and export trade at Chefoo and Weihaiwei. It was learned that a control similar to that in force at Tsingtao would be exercised

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

- 10 -

exercised by the Japanese Navy. (6)

Confirmation of the import and export control came on January 12, 1939, when the Commander of the Japanese Naval Landing Party at Chefoo published a notice in the Chinese press in which the public was warned that effective January 15, 1939, all goods entering and leaving Chefoo must be covered by a permit issued by the Commander of the Japanese Naval Landing Party. This notice was transmitted to the Consular corps by the Japanese Consul the same day with the additional information that the step was due to military necessity and that applications for import or export permits should be made to the Federated Shipping Bureau (Chuan-po Lien-ho Chu - 船舶聯合局). (7)(8)

On the date fixed the restrictions on imports and exports came into force and for three days all import entries and for five days all export shipments were held up awaiting the arrival of a member of the Japanese Special Naval Mission at Tsingtao to decide the policy in handling applications for shipments purchased or exported on old exchange contracts and merchandise going out on orders existing on January 15th. The exporters were advised to submit a list of their orders on hand together with other evidence of their commitments.

Finally after much uncertainty and confusion with the merchants daily besieging the Federated Shipping

Bureau

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- (6) See telegram No. 1 of January 10, 10.00 a.m., to the Department, repeated to Peiping and Chungking.
 (7) See telegram No. 2 of January 12, 3.00 p.m., to the Department, repeated to Peiping and Chungking.
 (8) Despatch No. 86 to Department, entitled "Exchange Control at Chefoo" - copies to Peiping and Chungking.

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

- 11 -

Bureau for recognition of their orders, the Japanese began to issue export permits for orders on hand without requiring the bills of exchange to be negotiated through the Yokohama Specie Bank for Federal Reserve Bank currency at the pegged rate of approximately \$0.28 1/2 United States currency to the local dollar. Little attention was paid to imports and on January 19th, two days before issuing exports, the Federated Shipping Office began to issue import permits. (9) (10)

The situation at the end of the month may be summarized briefly as follows:

- (1) Import permits are issued with little trouble and no exchange restrictions are imposed for the time being.
- (2) Exports shipped on contracts made after January 15th must be covered by exchange sold through the Yokohama Specie Bank at the pegged rates of one shilling and two pence or approximately twenty-eight and one half cents American currency to the local dollar.
- (3) The Yokohama Specie Bank deals only in Federal Reserve Bank money which is not accepted in the guerrilla-controlled producing centers.
- (4) The Japanese Naval authorities have issued export permits for merchandise shipped on orders existing January 15th without requiring the sale of exchange through the Yokohama Specie Bank.
- (5) No information can be obtained from the Japanese Naval authorities as to how long for commitments they will issue permits without exchange restrictions.

Merchants and exporters are working at top speed assembling and inspecting shipments of laces, embroidery and

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- (9) Telegram No. 5 of January 19, 7.00 p.m., to the Department - repeated to Peiping and Chungking.
 - (10) Telegram No. 6 of January 21, 5.00 p.m., to the Department - repeated to Peiping and Chungking.

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

- 12 -

and hairnets, hoping that they will be able to ship them out at the open market rates of exchange under permits issued by the Japanese Naval authorities. The stocks at Chefoo on January 31st were completely exhausted by buying to fill orders on hand which the exporters rushed out.

(4) Formation of Trade Guilds

While the Japanese Navy was imposing a control over exports and imports other Japanese were engaged in organizing the Chinese shippers into a guild which is to facilitate shipments under the export regulations. At a meeting of the Chinese Chamber of Commerce attended by a Japanese the following proposal was put forward:

"Chinese shippers of merchandise from Chefoo must form themselves into a guild to be operated with Japanese co-operation. Each shipper is to put up \$100.00 capital. The guild would charge shippers 1 per cent on valuable cargo and $\frac{1}{2}$ per cent on ordinary cargo. At the end of the year the guild profits would be divided 70% to the Japanese interests and 30% to the Chinese shareholders."

The Chinese were told that the Japanese cooperation is necessary to facilitate shipments of Chinese merchandise. They were warned that all those not joining the guild will be unable to obtain shipping permits. Shippers were given two or three days to accept the proposal made by the Japanese. (11)

Some two hundred Chinese joined the guild providing it with \$20,000 capital. At a meeting of the guild a boycott of British, American and French merchandise was proposed but no decision was reached. Needless to say the suggestion came from Japanese sources.

So far

(11) Telegram No. 4 of January 16, 10.00 a.m., to the Department - repeated to Peiping and Chungking.

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

- 13 -

So far, the guild has confined its activities to Shantung shipments by coastwise junks. It had just begun to function when the declaration of the Shantung-Hopei blockade restricted these operations. It is thought that the Japanese plans call for an extension of the guild's activities to exports shipped to Shanghai and other South China Ports.

The guild probably will work very much as the Fushan Chamber of Commerce has been operating since November in that Japanese-occupied town. Importers at Fushan wishing to bring in merchandise from Chefoo first apply to the Chamber of Commerce for a permit. The Chamber then fills out a "guarantee" form showing the importer's name, address, amount of cargo, quantity, destination and use. This form is then delivered to the puppet magistrate at Fushan who issues the permit. The permit or "cargo pass" bears a notice that it is good only for shipping daily necessities for "law abiding people". Supplying or shipping to "bandits" (guerrillas) under the permit will be severely punished. The Fushan informant made no mention of a 1 per cent levy on the merchandise but it can be taken for certain that this has not been overlooked by the inventors of this control.

The two American oil companies marketing kerosene throughout Shantung probably will be the most important American interests affected by the guild and its control over shipments to the interior. It is very probable that their Chinese agents and distributors will be forced to pay the levy to the shippers guild in order to obtain shipping permits.

(5)

7439

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

TELEGRAM RECEIVED

EDA

GPO

FROM

PLAIN

CHUNGKING VIA N.R.

Dated March 9, 1939

Received 10:40 a.m.

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

Secretary of State

Washington

163, March 9, 5 p.m.

Division of
FAR EASTERN AFFAIRS
MAR 9 - 1939
Department of State

793.94

Indicative of renewal Japanese aerial activity over West China the local press reports the following raids in the past few days: (one) Ninghsia city on March six with total of three hundred casualties; (two) Pingling Kansu on March seven with seven killed; (three) Ninghsia city on March seven with casualties not reported; (four) Yungchang and Wuwei Kansu on March seven with casualties not reported; (five) Ichang, Hupeh on March eighth (See Embassy's 161, March 9, 1 p.m.) which city was subjected to three consecutive raids during the day with reported heavy but unestimated losses of life and property; and (six) Changteh Hunan with casualties not reported.

Repeated to Paiping.

PECK

CSB

793.94/14794

F/A

MAR 10 1939

744

DECLASSIFIED: E.O. 11652, 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 (paraphrase) sent
to Treasury in
confidence.*

TELEGRAM RECEIVED *new*

EDA

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

FROM

CHUNGKING VIA N.R.

Dated March 9, 1939

Received 7:30 a.m.

Secretary of State
Washington

102, March 9, 3 p.m.

Reference the Embassy's telegram No. 68, February 2,

1 p.m.

In a conversation yesterday with members of the
Embassy staff General Hsien Sui who is Chief of the
Operations Section of the Military Affairs Commission
stated that in his opinion the present Japanese military
operations in Central Hupeh Province are not directed
toward the capture of Ichang but rather to an advance
on Tsaoyang preparatory to a drive on Shensi Province
via the upper Han River Valley. He expressed the belief
however, that an offensive against Shensi will not be
undertaken as long as the Russo-Japanese fisheries dispute
remains unsettled, adding that in any event Japanese
forces in Central Hupeh Province would have to be greatly
augmented if such a push is to be successfully prosecuted
over the opposition of General Li Tsung Jen and his
Kwangsi forces. He thought that the length and insecurity
of communications in Shansi would deter the Japanese
from

793.94/14795

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

EDA - 2 - #162, March 9, 3 p.m. from Chungking

from making an attack on Sian from that direction.

The informant also said that the Japanese are concentrating large forces at the present time in East Hupeh and North Kiangsi presumably with a view to commencing operations against Nanchang and thus cutting the Chekiang-Kiangsi Railway which is being utilized to a great extent by the Chinese authorities in supplying the guerrilla forces in Eastern China.

Repeated to Peiping.

PECK

WWC: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

(CONFIDENTIAL)

CONFIDENTIAL

P A R A P H R A S E

A telegram (no. 162) of March 9, 1939, from the American Embassy at Chungking reads substantially as follows:

On March 8, General Hsien Sui (Chief of the Operations Section of the Military Affairs Commission) while talking with members of the Embassy expressed his opinion and made statements to the following effect: Although the present Japanese military activities in the central part of Hupeh Province aim at an advance on Tsaoyang (in preparation for an attack on Shensi by way of the upper part of the valley of the Han) rather than at the capture of Ichang, an attack will not be begun against Shensi as long as a settlement has not been reached of the dispute between Japan and Russia in regard to fisheries. In any case, if such an attack is to be successful in the face of the opposition of General Li Tsung-jen and his Kwangsi troops, there would have to be a great increase in the number of Japanese troops in Central Hupeh Province. The Japanese would be deterred from attacking Sian from the direction of Shansi on account of the insecurity and length of communications in that province. Presumably with the intention of beginning activities against Nanchang and in this way severing the Chekiang-Kiangsi Railway which the Chinese authorities are using to a great extent in sending supplies to the guerrillas in Eastern China, the Japanese are now massing a large number of troops in the northern part of Kiangsi and the eastern part of Hupeh.

793,94/14795
 FE:ETC:JPS
 3-11

RSC
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 HWS

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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

EDA

PLAIN

CHUNGKING VIA N R

FROM

Dated March 10, 1939

Received 7:30 a.m.

Secretary of State

Washington

164, March 10, noon.

In a radio address delivered on March 8 in connection with "propaganda week" General Chiang Chung, Director General of Supreme National Defense Council, essayed to define China foreign policy and to refute Japanese arguments for "a new order in East Asia" which he labelled be but a new term for Japan's "continental policy". He declared "China's foreign policy, which aims at the genuine safeguarding of order and peace in the Orient as well as in the world, consists of the upholding of China's freedom and independence, support of the League Covenant and the Nine Power Treaty, and promotion of international cooperation through the peace machinery and treaties". He accused Japan of being responsible for the present disturbed state of the Far East and said that only through the triumph of Chinese policy can the order of the Orient and the peace of the world be upheld. In the course of his speech General Chung stressed that the Chinese people do not entertain feelings of hostility

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 DEPARTMENT OF STATE

793.94/14796

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144
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

EDA - 2 - #164, March 10, noon from Chungking

hostility toward the people of Japan and ~~are~~ willing
that the latter be left to work out their own
destiny.

Repeated to Peiping.

PECK

DDM

7441

DECLASSIFIED: E.O. 11652, 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

KLP

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

Tsingtao via Naval Radio

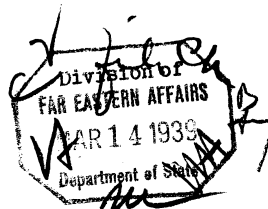
Dated March 14, 1939.

Rec'd. 7:30 a.m.

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

Secretary of State;

Washington.



52, March 14, 10 a.m. 793.94/14619

One. Referring to my telegram No. 12 of January 18, noon, on the subject of Asia Affairs Board, the Chief of the Japanese Navy Special Mission has been appointed chief of local office of that board which was opened officially in this city on March 10.

Two. The new appointee has also been made "highest adviser" to the Tsingtao municipal administration.

Three. Some officers from the Japanese military and naval missions here have been transferred to the new office.

Four. From press statement it appears the new organ will deal with comprehensive range of affairs touching upon all principal activities in the region including the economic.

Five. Sent to the Embassy offices and Chiefs; by mail to Tokyo and Tsinan.

KLP:DDM

SOKOBIN

793.94/14797

F/FG

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

(CONFIDENTIAL)

CONFIDENTIAL

P A R A P H R A S E

A telegram (No. 52) of March 14, 1939, from the American Consul at Tsingtao reads substantially as follows:

Some officers belonging to the Japanese naval and military missions in Tsingtao have been transferred to the new Asia Affairs Board office in Tsingtao (see telegram No. 12 of January 18 from Tsingtao), which was officially opened on March 10. It seems from a press statement that the new office will be concerned with a wide range of matters relating to economic activities and all other principal activities in the area. The Chief of the Japanese Navy Special Mission has been placed in charge of the Tsingtao office of the board and he has been made "highest adviser" to the municipal administration of Tsingtao also.

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

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15472

793.94

March 3 1939

My dear Mr. President:

On the eve of his departure for Cody, Wyoming,
the American Ambassador to China, Mr. Nelson T.
Johnson, left at the Department for transmission
to you the letter here attached.

Faithfully yours,

Gordell Hull

Enclosure:

From Mr. Johnson,
dated February 27, 1939.

The President,

The White House.

OR
MAR 3 1939

PA/H:SKH:ZMK
3-2-39

TE
m/m/v

[Handwritten signature]



793.94/14797A

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

2472

February 27, 1939.

Mr. President:

The Chinese people under the leadership of the National Government now temporarily seated at Chungking and under the leadership of Generalissimo Chiang Kai-shek intend to continue resistance to the Japanese invasion of China. It is my belief that the Chinese will be able to continue this resistance indefinitely. Generalissimo Chiang told me the day before I left Chungking last December, and I know no reason to doubt the statement, that his armies were intact and that they had military supplies sufficient to carry them on for two years at the present rate of guerrilla expenditure. They hope for assistance from the outside world in the economic field. Chinese Government supplies of silver are practically exhausted and they will be put to it to maintain China's currency in exchange for foreign currency.

Japan lost the war when it failed to obtain a peace dictated on the basis of Japanese terms under the walls of Nanking as the British did in 1842. When the Japanese took Nanking, found the Government gone and the Chinese
 armies

793.44/14797A

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

5474

- 2 -

armies gone they were left with the alternatives of consolidating their positions at Shanghai and in north China and controlling an established Chinese Government in the interior from the coast, or proceed to the conquest of China. It is my conviction that the Japanese Army chose the latter alternative. It has from time to time announced, and continues to announce, that peace is not possible until it has smashed the Chinese National Government and Generalissimo Chiang. This announced policy and the cruelties which have accompanied the Japanese advance into the interior have done more to unite the people of China behind the National Government and Chiang, who symbolizes the Chinese desires for an independent national existence, than anything else and I feel that the Japanese Army has commenced something which it cannot finish. I feel, however, that it is going to take a long time for the military leaders of Japan to discover this, for the Chinese are in no position to administer a decisive defeat to the armies in the field. The struggle must go on as it is now, the Chinese resisting by means of guerrilla tactics which at best can only prolong the conflict to the point where Japan will be exhausted economically, culturally and physically. I sometimes wonder whether the East is not threatened with the kind of collapse of civilization which we have sometimes heard Europe threatened with if another European

DECLASSIFIED: E.O. 11652, 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 -

European war should commence. War is on in the East. There is no leader in China who could make peace with the Japanese and carry his people with him and there is no leader in Japan who could make peace with the Chinese on terms less than the Japanese Army desires and carry the Army with him. The only hope that the Japanese have at the present time is to make peace with a Japanese-fostered régime or régimes in China but such a peace will of necessity involve the Japanese in the responsibility of disarming the people of China in order to make it possible for the writ of such a Japanese régime to run beyond the walls of the towns in which the régimes have their homes.

History will record that the outstanding event of this decade was the end of the British Empire as a unit. The Statute of Westminster marked that end. London is paralyzed now in any decision that it may have to make for it cannot make such a decision on the assumption that Canada and Australia and South Africa will support its decision without question. The frontiers of the United States are the world. As the eldest son of the old British Empire (a son, it is true, who ran away from home and set himself up independently in business at the time when the Empire was in the making) we must from now on share with Canada, Australia and South Africa and England the responsibility of maintaining the ideals which characterized international

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

1478

- 4 -

international intercourse during the years that the British Empire was dominant in world affairs or see those ideals lost. We are strong and capable and whether we like it or not our decisions are looked for and listened to with a great deal of respect. We must lead the world out of the chaos in which it is now struggling. I feel that the day of colonial empires is past. Japan must slowly come to that realization. Japan has already expended a greater sum upon its attempt to start an empire in Asia than England spent as the initial cost of the establishment of the British Empire. If civilization is not to be lost, the United States must and will play a greater part in its preservation than we now seem conscious of the necessity for. Dictatorships such as that now controlling Japan understand force and will yield only to superior power. It is not a question whether we are going to war or not. The question is whether we are ready to fight for the ideals which we have hitherto held as necessary to a peaceful existence. If the world and particularly the dictatorships understand that we are prepared to fight, they will exercise more care in their relations with us and the rest of the world. You cannot send a policeman armed with a truncheon to deal with a gangster who is armed with a machine gun.

The situation demands that we, as the most powerful unit in a world of nations, must begin now to consider
 the

0452

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 -

the part that we are to play. Unless we begin to show our teeth now and indicate to the world and specifically to Japan that we mean business we may forever find ourselves estopped from taking action. We may perhaps find ourselves with a Japan taking everything west of the 180th meridian as the Japanese sphere of influence and interest within which we may neither improve or fortify our own interests nor enter without Japanese permission. Time is with China in its conflict with Japan but time is with the totalitarian states in their relations with the democracies. We should do what we can to assist and encourage the Chinese in their fight for an independent national existence. The Pacific area will be safer for us and for the world if there are three nations involved, namely, China, Japan and the United States, than if there are but two, Japan and the United States. Japan cannot complete its adventure in China without the financial assistance of the United States and we as a government should take such steps as may be necessary to discourage financial assistance to Japan or to those régimes which Japan may attempt to set up in China. We cannot afford to wait upon other nations in regard to this matter. It is not a question of saving British chestnuts, our own chestnuts are involved.

Respectfully,

FE:NTJ:REK


Nelson Trusler Johnson

DECLASSIFIED: E.O. 11652, 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 **FROM**
closely paraphrased be-
fore being communicated
to anyone. (br)

Chungking via N. R.
Dated March 14, 1939
Rec'd 10:15 a.m.

Secretary of State
Washington.

177, March 14, noon.

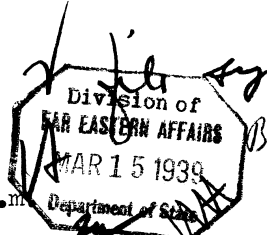
Embassy's 176, March 14, 11 a.m.

CONFIDENTIAL. I feel that this broadcast was
regrettable in that it may arouse among the Chinese
criticism of the United States on the basis of several
possible but unwarranted inferences, for example, that
the bombing of Chinese cities is made possible solely
by the sale of munitions by the United States to Japan,
that no other nation is assisting Japan in any comparable
manner, and that the American Government has not assisted
China in practical way. Fitch is now residing in
Chungking and seems to be working in close association
with the group immediately surrounding General and
Madame Chiang Kai Shek.

Repeated to Peiping.

PECK

CSB



793.94/14798

FA

RECEIVED
MAR 20 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

TELEGRAM RECEIVED

JR

FROM PLAIN

Chungking via N. R.

Dated March 14, 1939

Rec'd 1:08 p.m.

Secretary of State,

Washington.

176, March 14, 11 a.m.

Central News Agency under date March 13 states that George A. Fitch gave radio broadcast that day over Central Shortwave Broadcasting Station X G O G with a direct beam to the United States. Following are excerpts from published text:

"In the midst of all this change and progress, the pervading spirit of optimism and go-ahead, it seems absurd to think that Japan could possibly subdue China. This spirit was unbeatable; China could never be conquered. And yet do not if America continues her present assistance to Japan by selling her the high-test gasoline she must have for her bombers and pursuits, the scrap iron for her shells and deadly shrapnel, the copper for her cartridges, and all the rest of it, why shouldn't the same thing happen to Kunming, to Chungking, to Kweiyang and all these other

fair

MAR 20 1939

FILED

793.94/14799

F/A

145

DECLASSIFIED: E.O. 11652, 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- #176, March 14, 11 a.m., from Chungking via N. R.

fair cities in now unoccupied China, that happened to Nanking and Canton and Hankow? Even now they are within bombing range--they have already received their baptism of death and destruction from the air--brave, hopeful Kweiyang just shortly after I left it.

It burns one up to hear of the merciless bombing of a city like that when it is making such a heroic struggle to get ahead, especially when you have just spent a week or so there and have a personal affection for many of those who are pioneering the work. I have just sent a cable addressed to President Roosevelt, Secretary Hull, and others saying that the American community here is deeply concerned over this continued bombing of defenseless cities.

1000 3/57
'In recent raids on Kwiyang and Wanhsien hundreds of innocent civilians were burned to death through the use of incendiary bombs, women and children machine-gunned, one-third of the business districts was wiped out, death and suffering were appalling. Continued sale to Japan of American gasoline, scrap iron, etc., ^{facilitates} ~~facilitates~~ these outrages, making us a virtual partner in Japan's crimes of China. In the name of humanity and world peace we appeal for immediate action prohibiting this traffic.'

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- #176, March 14, 11 a.m., from Chungking via N. R.

In the meantime, though, is America going to continue her 'partnership' with Japan? I pray God, no! It is intolerable that we should continue to share in Japan's war guilt, and it is nothing short of suicidal for us to continue supplying Japan with the raw materials she needs for the manufacture of weapons which she proposes some day to turn on us.

I appeal to every patriotic American to address his Senators and Representatives in Washington demanding that action be taken now, before it is too late, to stop this traffic with Japan that is daily imbruing our hands in the innocent blood of a great and heroic people who are engaged in a life and death struggle for the very principles for which we stand--freedom, justice, democracy--and for the sanctity of treaties to which we are a party."

Repeated to Peiping.

PECK

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

EG
gpo

FROM

GRAY
Foochow via N. R.

Dated March 15, 1939

Rec'd 10:21 a.m.

Secretary of State,
Washington.

Division of
FAR EASTERN AFFAIRS
MAR 15 1939
Department of State

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

793.94
March 15, 11 a.m.

According to a reliable official source 20
Japanese marines from a small gunboat landed at
Tinghai near east Lienkang 13 miles from Foochow
afternoon March 13 and destroyed the "Paochang"
office. When Chinese forces approached they de-
parted taking with them two Chinese civilians.
No further developments are expected.
To Peiping.

ROWE

RR

793.94/14800

F/FG

7458

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 894.00 P.R./134 FOR #3656

FROM Japan (Grew) DATED Feb 10, 1939
TO NAME 1-1127 ...

REGARDING: Sino-Japanese situation: Jan., 1939.
Military operations; general relations, in summary.

793.94/14801

PRG.

14801

-1-

(c) China.

1. Military Operations.*

793.94

The lull in Japanese military operations which was noted in December appears to have continued during January, during which month no major developments were reported. Sporadic encounters with guerrilla bands occurred and some operations undertaken on a limited scale against Chinese forces on the fringes of the occupied areas.

The most important military events occurred in southwest Shansi, where two groups of Japanese units made drives north and west from Hotsien and Linfen respectively in what constituted presumably another "clean-up" campaign in that area, and it was announced that through this campaign some 20,000 Chinese were driven out of Shansi into Shensi. At the same time the Japanese harassed the Chinese along the Lunghai Railway in the form of artillery bombardment across the Yellow River and also with intensive aerial bombing. However, the long-anticipated drive of the Japanese across the Yellow River and on to Sian did not materialize during the month, which was possibly explained by the failure of the Yellow River to freeze sufficiently to permit the passage over it of heavy materiel.

In the Wuhan area there were no engagements of any importance, and although reports from some sources were to the effect that the Japanese were quietly preparing for an offensive on the Yochow-Nanchang front there appeared to have been no moves initiated during the month to do else than hold the territorial gains already made.

In

* This section prepared with the assistance of the Military Attaché's Office.

-15-

In South China some fighting continued around Tsungfa, and it was reported in Japan that Japanese forces attacked and occupied Fahsien on January 15. Three days later a "large unit" was reported to have landed on the west bank of the Pearl River north of Macao and to be moving toward Shekki.

Tension in the western part of Kwantung Province was reportedly heightened in view of the possibility of a Japanese landing to sever the supply route from Indo-China. Martial law was announced to have been put into effect in Pakkoi, while French war vessels were said to have been assembled in Kwangchow Bay.

Intensive aerial bombing of the Lunghai Railway from Chengchow to Paoki and of towns and Chinese military concentrations in Shensi and Honan was carried on during the month. In Central China, Chinese airdromes were subjected to bombing attacks and Chungking was raided on several occasions. Bombing along the west and north branches of the Pearl River in South China was continued and a number of raids made on Watlam, Kweilin, Liuchow, and Nanning in Kwangsi and Pakhoi, Yuengchow and other coastal villages in western Kwantung.

2. General Relations.

The report of the defection of Wang Ching-wei from the Kuomintang and of his peace proposals made at the end of December was continually referred to during the month of January by the local press. The incident was apparently significant to Japan, if only just wishfully, as a demonstration of the worsening of the position of the Chiang Kai-shek Government and as an example of the growing sentiment for peace in China.

On

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

On January 25 it was announced that Marshal Wu Pei-fu was being urged to come out of his retirement and become the leader of "New China". An editorial chorus of approval then appeared in the press of Wu's selection and a "build-up" of his character and abilities. On January 23 it was reported that Marshal Wu had accepted the position of Pacification Commissioner and is expected to have temporary headquarters at Kaifang, where he is to act independently of the régimes in North and Central China. The fanfare and publicity given to these announcements evidently portend a Japanese attempt to employ Marshal Wu to promote the setting up of some new political organization in China, but although the establishment of some form of central government for the occupied territories was announced as being contemplated no definite plans have as yet come to light.

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. Swatow/134 FOR #39
 FROM Swatow (Young) DATED Feb 7, 1939
 TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations for the month of Jan., 1939, in summary.

FRG.

793.94 / 14302

14802

DECLASSIFIED: E.O. 11652, 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.

793.94
 After a period of three months during which the eastern part of Kwangtung Province was comparatively free from serious manifestations of Sino-Japanese hostilities, a rude change occurred on January 20th with the appearance of a Japanese naval bombing plane from a Japanese cruiser anchored off the coast of Chaoyang*. The plane followed the coastline in a southerly direction and dropped two bombs in the vicinity of Swabus causing slight damage and no reported casualties.

CM

*Telegram of January 23.

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

-3-

On the following day what is believed to be the same plane visited Chaochowfu and dropped two bombs on the old bridge destroying four junks which were under the bridge, killing four persons and wounding nine others. Later in the same day after scouting over Swatow for about half an hour the plane proceeded to Kityang where four bombs were released near the bus station resulting in damage to two busses but no casualties.

During the early morning of January 22nd Swatow was again subjected to scrutiny from the air, the plane later leaving for Kityang where two bombs were dropped on the highway killing two civilians after which it flew up and down the river near Kityang several times and machine-gunned cargo junks without causing any casualties. Later in the day a plane circled about over Swatow and then turned inland where it found a railway train near Ampow (莞华) about four miles from Swatow. Two bombs were directed at the train but missed their objectives and there was no damage. The plane proceed on to Pang-koi (楓溪) where another train was subjected to machine-gun fire without resulting casualties.

A day seldom passed in January that the air raid siren was not heard at least once and on some days as often as four times, but the only concrete results were those reported above. It was conjectured that the principal reason for so many visits from Japanese planes was to determine whether or not the highways

were

046
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

-4-

were being utilized for any large-scale transportation of supplies and munitions to Chinese forces in the interior. It is believed that their discoveries were completely negative with the result that the time for Swatow to be occupied by the Japanese forces was set still further in the future.

Several instances were reported of fishing and cargo junks being looted and destroyed along the coast of Eastern Kwangtung by Japanese naval vessels and throughout the month under review there were from one to three vessels at anchor for a greater part of the time.

146

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

March 23, 1939

Tsinan's despatch no. 34 of February 6, on conditions along the central section of the Tsingtao-Tsinan Railway, reports that the Japanese resort to vicarious and senselessly cruel punishment of villagers for guerrilla successes; that the villagers hate them even more than they do the guerrillas; that the guerrillas harass the Japanese increasingly; that Federal Reserve bank currency is unpopular; that the Japanese are living increasingly on poor native food; and that Eighth Route Army men ~~are~~^{are} entering the area and---feared by other guerrillas and liked by the people---reestablishing order (the Consul's comment in the penultimate paragraph is of interest in this connection).

12

FE: Chase: HJN

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

No. 34

RECEIVED
 DEPARTMENT OF STATE
 AMERICAN CONSULATE,

1939 MAR 17 PM
 Tainan, CHINA, February 6, 1939.

OFFICE OF
 COMMUNICATIONS
 AND RECORDS

SUBJECT: CONDITIONS IN THE WEIHSIEN AREA.

Willys R. Peck, Esquire,

American Chargé d'Affaires ad interim,
 Peiping.

Sir:

DEPARTMENT OF STATE
 ASSISTANT SECRETARY
 OF STATE
 MAR 3 1939

I have the honor to quote the following from a letter addressed to the Consulate on January 28, 1939, by an American missionary at Weihsien (濰縣), Shantung, concerning present conditions in that area:

"The Chefoo auto road is repaired, and the trucks go up as far as Changi. I do not think they go much farther, but they can without let of hindrance. The guerrillas of course are everywhere. The Japanese have made themselves very popular in some places by giving out grain. They did this once in Changi, but the once was all, and the people are again hungry.

"I went on a recent trip north of Changi and found all my church groups flourishing. We had fine meetings in all the places. There was no interference in any of the places from either the Chinese or the Japanese. The head of the publicity section came to our church service and denounced the leader of this country and made a long speech. He got nowhere. Unfortunately his men had only a couple of weeks before entered the church and stolen \$70 from the free will collection box. This has gone all around the country, along with other stories. I will tell one or two.

"A sentry on duty had his rifle stolen from him by one of the guerrillas. There was great laughter

about

793.94/14805

F/FG 14723

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

- 2 -

about this all over our section. But as a check to it, nine men were executed, and all the school children, youth groups, and women's groups, and all civic leaders were forced to watch the beheading. It is well known that the men killed were not the ones guilty, hence the futility of such a step. Right now too the order is that no Chinese south of the RR can go north without a special pass, and none north can go south without it too. This is because there have been a lot of trains ditched lately. Too many to let it go by. All along the RR and the Auto road the Japanese have their Chinese soldiers to defend the roads. We had a battle at the station two weeks ago. Then for days it went on south of us. We heard no special results either way. But there is no doubt of the fact that they have far more trouble now than they had formerly. With the coming of Spring and the leaves on the leaves on the trees and better cover the trouble will grow greater.

"Bandits are active of course. But away from the zone which is really a no mans land all is quiet. Up north it was very much so. I found that the eighth route chaps were there and they were very popular with the people. They had a good name and were keeping it so. I found too that the guerrillas west of the river when they heard of their coming all left in a hurry. So you see there is a faction in the guerrillas. But the bad ones are slowly being shot. One man told me he had shot 5 for stealing and oppressing the people. But much as the people hate the guerrillas they hate and fear the Japanese more.

"The Japanese are recruiting men for their work and some think soldier corps. The Chinese are afraid of this, and all the able bodied men have left the places where these levies are laid. It is remarked here that the food the men are eating is less and less foreign and less good all the time. We hear reports that some of the men are most reluctant to go on with this, but of course that is all it leads to. We heard that 70 small wooden coats were sent out from here last week. This is probably true.

"Of course you know about the air field at Fangtze and I understand at other places too.

"Our relations with the visitors is very impersonal and we are keeping on with our work unmolested. I might add that the new currency has no confidence of the people here or in the city, the city has to use it however. It is still at a discount, and the national currency at a premium. Food is scarce in

SOME

0465

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

- 3 -

some parts of the country field, and is expensive too. It will go hard of course at Chinese New Years, but it is always so. We have had no trouble here for some time the we know there are bandits just outside our walls. We hope to get the refugees all out by New Years (Chinese).

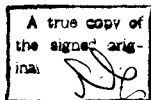
"I might add that the Japanese are much better fighters. I heard that 50 of them set 200 guerrillas running near Changi. These are not the 8th route men tho..."

The incident cited in the third paragraph quoted above, is but another instance of the terrorism by which means alone the Japanese are able to hold the occupied territory of Shantung with the meagre forces employed.

The comment contained in the fourth paragraph, concerning members of the Eighth Route Army, confirms information received by the Consulate from other sources. In this connection, reference is made to the Consulate's despatch to the Embassy, no. 26, of January 23, 1939, in which it was stated (page 5) that members of the Eighth Route Army "remain aloof from the guerrillas and are well thought of by the populace because of their considerate treatment of the people."

Japanese troops in the interior are apparently being required to depend more and more on the poor fare of the natives (see fifth paragraph). By "70 small wooden coats" the writer doubtless means boxes containing ashes of Japanese troops killed in action or who have died of natural causes.

Respectfully yours,



Carl O. Hawthorne,
American Vice Consul.

800
COH/KCC
Original to Embassy, Peiping,
5 copies to Department,
Copy to Embassy, Chungking,
Copy to Embassy, Tokyo.

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

3/23

~~REV~~
~~10/14~~
~~10/14~~

To note page 2
of Truman's dispatch
#39 to Pershing of Feb. 15

J.H.P.

DECLASSIFIED: E.O. 11652, 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. 39.

RECEIVED
DEPARTMENT OF STATE

AMERICAN CONSULATE,

Tainan, China, February 18, 1939.

1939 MAR 17 PM 2 23

RECORDS OF
COMMUNICATIONS
AND RECORDS

SUBJECT: JAPANESE REOCCUPY LINTSING.

Willys R. Peek, Esquire,

American Charge d'Affaires ad interim,

Peiping.

Sir:

I have the honor to refer to the Consulate's despatch no. 12, of December 12, 1938, file 800, reporting that Japanese forces had, on November 18, 1938, captured Lintsing (臨清) on the Grand Canal in western Shantung, but had withdrawn after three days' occupation. There is now quoted hereunder the contents of a letter addressed to the Consulate on February 10, 1939, by an American citizen at Lintsing, concerning the reoccupation of that city by Japanese troops on February 4, 1939:

"You will want to know that the Japanese took possession of Lintsing, February fourth, after a few hours of fighting, with however, very few casualties, apparently. There was no bombing from the air (in fact no aeroplanes visited us that day) and consequently little damage to property. This time it looks as the they intended to remain.

"On the eighth the Chinese attempted to dislodge them, unsuccessfully. There was firing all afternoon, and again heavy firing that night for two hours, before the attempt was abandoned."

The statement that "This time it looks as the they

intended

795.94/14304

F/FG 484

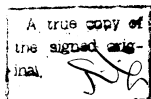
047

DECLASSIFIED: E.O. 11652, 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 -

intended to remain" tends to confirm this office's impression that the Japanese have become convinced that only by garrisoning all important places for an indefinite length of time can they hope to establish their rule. In this connection, reference is made to the Consulate's Political Report for January 1939, in which it was stated (page 3) that "the Japanese appear to have despaired of ever extending the authority of the Peiping Government on any permanent basis with the meagre military forces in Shantung and the month of January witnessed the arrival of considerable reinforcements for the Shantung area." It was further stated that "contrary to the policy heretofore of temporary occupation and withdrawal, the Consulate understands from the Japanese 'Adviser' to the Governor that the above-named¹ towns will be garrisoned by Japanese troops until such time as local militia can be recruited, trained and equipped to maintain law and order."

Respectfully yours,



Carl O. Hawthorne,
American Vice Consul.

800
COR/KCC

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

1. Those in northeastern Shantung captured in January, see Political Report for January 1939.

047

DECLASSIFIED: E.O. 11652, 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. 40.

7
 RECEIVED
 DEPARTMENT OF STATE

M
Henthorn
 AMERICAN CONSULATE, *CHINA*

1939 MAR 17 PM 2 *Peiping*, China, February 17, 1939.

DEPT. OF
 STATE
 RECORDS

COPIES
 ON FILE

SUBJECT: JAPANESE THREATEN SLAUGHTER OF ALL
 ABLE-BODIED MALE INHABITANTS OF
 VILLAGES HARBORING GUERRILLAS.

743.94

Willys R. Peck, Esquire,

American Charge d'Affaires ad interim,
 Peiping.

DEPARTMENT OF STATE
 ASSISTANT SECRETARY
 MAR 24 1939
 Sir:

have the honor to refer to this Consulate's
 despatch no. 26, of January 23, 1939, subject: "SOME
 ASPECTS OF THE POLITICO-MILITARY SITUATION IN SHANTUNG,"
 file 800, in which Japanese cruelties and terrorist
 methods were dwelt upon at some length, and to supple-
 ment this office's telegram no. 8, of February 17,
 (1939), 1 p.m., sent to the Department and repeated to
 the Embassy, by transmitting herewith a copy in trans-
 lation of the Japanese Army's proclamation which appeared
 in today's edition of the SHANTUNG HSIN MIN PAO.

It will be observed that, in addition to destroying
 such villages, the Japanese Army threatens to slaughter
 all male inhabitants between the ages of 18 and 40 in
 those villages found to be harboring guerrillas.

This latest act of terrorism is probably the result

of

793.94/14806

F/FG

14806

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 current rumors of a planned guerrilla uprising during the approaching Chinese New Year holidays, which begin February 19th, and the attempted political assassinations in Taiwan, reported in the Consulate's despatch no. 37, of February 12, 1939, file 800.

Respectfully yours,

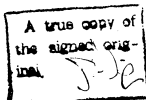
Carl O. Hawthorne,
American Vice Consul.

✓
Enclosure:

1. Translation of Proclamation.

800
COH/KCC

Original to Embassy, Peiping,
5 copies to Department,
Copy to Embassy, Chungking,
Copy to Embassy, Tokyo,
Copy to Consulate, Tsingtao.



0 4 7 5

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

Enclosure no. 1 to despatch no. 40 dated February 17, 1939,
from Carl O. Hawthorne, American Vice Consul at Tsinan,
China, on subject of JAPANESE THREATEN SLAUGHTER OF ALL
ABLE-BODIED MALE INHABITANTS OF VILLAGES HARBORING GUER-
RILLAS.

Source: Shantung Hsin Min Pao,
February 17, 1939.
Tsinan. Page 2.

(Translation of Excerpts)

COMMANDER-IN-CHIEF OF JAPANESE ARMY ISSUES PROCLAMATION
THREATENING TO BURN THOSE VILLAGES TO THE GROUND
AND KILL ALL THE MALE VILLAGERS ABOVE THE AGE OF
TWELVE AND BELOW THE AGE OF FORTY, WHERE PLAIN
CLOTHES MEN CONCEAL THEMSELVES IN AMBUSH FOR
JAPANESE TROOPS.

The proclamation states inter alia that:

".....The majority of the general masses are still
pertinaciously stupid, and resort to guerrilla warfare in
compliance with the order of Chiang Kai-shek. They will
scatter in anticipation of the arrival of the Japanese
army but rally after the latter's departure. They will
put up resistance, when encountering small units of Jap-
anese troops. This is, of course, the proper strategy
of the poorest army. Furthermore, youths from different
places have been trained and instructed to return to the
countryside for resistance against the Japanese army, taking
advantage of the latter's inadequate numerical strength.
While sympathetic with the general masses, the Japanese
army are forced to view those in plain clothes as guer-
rillas. Thus, if plain clothes men are found lying in
ambush in villages or towns, such villages or towns will
be burnt to the ground and all the males therein between
the ages of 12 and 40 will be slaughtered. Inasmuch as
the slaughter is caused by resistance, Chiang Kai-shek
rather than the Japanese army should be held responsible
for it. By way of precaution the public is hereby notified
that, if for any reason forced (into resistance), they should
immediately get in touch with the nearest Japanese garrison
to distinguish themselves from the Kuomintang or (Communist)
bandit troops, in order to prevent the undesirable charac-
ters, against whom the Japanese Army will have difficulty in
discriminating, from gaining admission to the villages or
towns. In case of the presence of such characters they
should be regarded as the common enemy of the people..."

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

ACCESS RESTRICTED

The item identified below has been withdrawn from this file:

File Designation 793.94/14806
Date Feb 10, 1939
From U.S. Consulate General, Shanghai
To Sec. State

In the review of this file this item was removed because access to it is restricted. Restrictions on records in the National Archives are stated in general and specific record group restriction statements which are available for examination. The item identified above has been withdrawn because it contains:

☒ Security-Classified Information

☐ Otherwise Restricted Information

J. E. Hearn
Authority

5-4-73
Date

GENERAL SERVICES ADMINISTRATION

GSA FORM 7117 (2-72)

GSA DC 72-10421

WITHDRAWAL NOTICE

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

NO. 1995

AMERICAN CONSULATE GENERAL,

Shanghai, China, February 10, 1939.

CONFIDENTIAL.

SUBJECT: Displacement of British and American
Officers on the Chinese Maritime Customs
Cutter "Haicheng".

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to refer to my confidential des-
patch No. 1966 of February 3, 1939, on the subject of
the displacement of the British and American officers
of the Chinese Maritime Customs Cutter "Haicheng" by
Japanese officers, and to enclose a copy of a confi-
dential letter addressed to me by the Inspector General
of Customs under date of February 4, 1939, trans-
mitting copies of a further exchange of correspondence
with the Commissioner of Customs at Chefoo on the subject.
The Inspector General also forwarded with this letter
a copy of his letter dated February 7, 1939, to the
Japanese Embassy in Shanghai again requesting that it
attempt to induce the Japanese Naval Authorities at
Chefoo to release the "Haicheng" for the resumption of
normal Customs activities.

Respectfully yours,

C. E. Gauss,
American Consul General.

RECEIVED
MAR 22 1939
ASSISTANT SECRETARY
OF STATE

Division of
FAR EASTERN AFFAIRS
MAR 20 1939
Department of State

793.94/14806

F/FG

14806

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-

Enclosures:

- 1/- Letter from Inspector General of Customs
to American Consul General, Shanghai,
dated February 4, 1939.
- 2/- Copy of letter from Commissioner of Customs,
Chefoo, to Inspector General, dated January
26, 1939.
- 3/- Reply of Inspector General thereto dated
February 3, 1939.
- 4/- Letter from Inspector General to Japanese
Embassy, Shanghai, dated February 7, 1939.

620
HHS/hk

In quintuplicate to the Department.
Copy to American Embassy, Peiping.
Copy to American Embassy, Chungking.
Copy to American Embassy, Tokyo.

4 *D.J.N*

0 4 1 8

DECLASSIFIED: E.O. 11652, 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. 995 from C. E. Gauss,
American Consul General, Shanghai, China, dated February 10,
1939, on the subject: "Displacement of British and American
Officers on the Chinese Maritime Customs Cutter "Haicheng".

C O P Y .

Shanghai Office of the
Inspectorate General of Customs,
421 Hart Road.

CONFIDENTIAL.

Shanghai, 4th February, 1939.

Dear Mr. Gauss:

In continuation of my letter of the 30th January 1939, enclosing copies of telegrams exchanged with the Chefoo Commissioner concerning the demands of the local Japanese Naval Authorities that Mr. G. A. Angus and Mr. T. W. Joyce, Commander and First Officer of the seized Customs ship "Haicheng" be transferred immediately from Chefoo, I attach hereto copies of the Chefoo Commissioner's letter of the 26th January and my reply thereto of the 3rd February, from which it will be observed that the Naval Authorities concerned recently demanded the appointment of Mr. Yasuda as Acting Commander of, and two additional Japanese officers to serve in the "Haicheng", failing which they state that they will appoint their own nominees, whose pay and emoluments they claim, should be defrayed by the Customs.

I also forward, for record, a copy of a communication on the subject, dated the 3rd instant, which I addressed to the Japanese Embassy, suggesting that the Japanese Naval Authorities should be approached again with a view to inducing them to release the "Haicheng", with its complement, for the resumption of normal Customs activities.

Yours sincerely,

(Signed) F. W. Maze.

Copied by: *hk*
Compared with: *cm*

DECLASSIFIED: E.O. 11652, 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. 995 from C. E. Gauss,
American Consul General, Shanghai, China, dated February 10,
1939, on the subject: "displacement of British and American
Officers on the Chinese Maritime Customs Cutter "Haicheng".

C O P Y .

CONFIDENTIAL.

CUSTOM HOUSE,

CHEFOO, 26th January, 1939.

Dear Sir Frederick,

"HAICHENG".

Since the commandeering of the above craft on
June 30th last it has been incessantly dinned into me
by succeeding Japanese Naval Commanders here that I
am expected to do all in my power to implement the pro-
visions of the Navy proclamation of the above date,
translation of which was forwarded you in my confidential
letter of 1st July 1938.

I have at different intervals and by different
commanders been informed that (a) the "Haicheng" is
Naval property being a "prize of war" (and therefore
may only have a Customs Japanese Captain), (b) that the
"Haicheng" "is only to be used by the Navy at convenient
intervals," remaining otherwise (under a Japanese Customs
Commander) as a Customs craft, (c) that the "Haicheng"
is a Customs craft and the Navy only wishes "to cooperate
with the Customs in directing her preventive activities,"
this to be best accomplished by the appointment of a
Customs Japanese Commander.

I am now informed that I am to appoint Mr. Yasuda
as Acting Commander of this vessel, recruit two more
Japanese officers as well, and send from the port Mr.
Angus and Mr. Joyce.

You will therefore see that although various Naval
Commanders interpret the status and use of this craft
differently, the unvarying common factor is their
insistence on the craft's command being Japanese.

The present demand that I appoint Mr. Yasuda Acting
Commander is the Navy's desire to transmute the de facto
Naval appointed Commander with the pay of a 2nd Officer
C into the de jure Customs appointed and recognized
Acting Commander with the pay of the latter rank. The
Navy is no longer satisfied with its appointee being
in a command unrecognized by the Customs. Your definite
instructions on this point and the Navy's unswerving
determination - wherein reason plays no part - that I
do as bid leaves me no alternative but temporarily to

issue

Sir Frederick W. Maze, K.B.E.,

S H A N G H A I .

DECLASSIFIED: E.O. 11652, 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-

issue the pay of an Acting Commander to Mr. Yasuda by virtue of my local appointment of this officer to corresponding rank.

As the inflexible determination of the Navy is to place the "Haicheng's" command in the hands of a Japanese with Acting Commander's pay, I cannot but recommend, under the now changed circumstances, that a qualified but more fully competent Japanese Master mariner be transferred to the "Haicheng" to replace Mr. Yasuda as some insurance for the protection of the craft and crew.

As it has been intimated that I will be forced to accept and pay two Naval appointees to the posts of the two additional officers I am now ordered to recruit should you not enlist them officially, I would solicit your instructions in this respect.

Although for months I have been resisting pressure to order Mr. Angus and Mr. Joyce away from this port - being successful thus far due to several changes in the local senior Naval Officer - and will continue to resist as long as possible in view of the doubly serious character of such new interference with the international character of Service personnel which would result from such action, I can give no assurance as to the efficacy of continued refusal. I am fully cognizant that such enforced action taken with regard to the Coast Staff might be later extended to other of my international staff. I have been informed that even Mr. Angus' imminent departure on the close of his contract should not deter me from ordering his immediate departure!

Protests that European staff should be retained as the Lights cannot be serviced by Japanese staffed craft have elicited the reply that the Lights and their staff are of no importance in Navy plans. Recent intensive and desperate Naval measures are pointing to an utter disregard of normally considered consequences. This attitude has permeated recent negotiations with local authorities and motivated demands that I take precipitate action without reference to yourself. I am prepared to combat this attitude in so far as possible and will endeavour to my utmost to preserve Service integrity.

Yours truly,

(Signed) S. Momikura.

Copied by: *th*

Compared with: *CM*

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

Enclosure No. 3 to despatch No. 1975 from C. E. Gauss,
American Consul General, Shanghai, China, dated February 10,
1939, on the subject: Displacement of British and American
Officers on the Chinese Maritime Customs Cutter "Haicheng".

C O P Y .

CONFIDENTIAL.

Shanghai Office of the
Inspectorate General of Customs,
421 Hart Road,

Shanghai, 3rd February, 1939.

Dear Mr. Momikura,

I have to acknowledge receipt of your confidential letter of the 26th January on the subject of the C.P.S. Haicheng in which you inform me that the local Naval Authorities have demanded you to appoint Mr. Yasuda as Acting Commander of the vessel, to recruit two additional Japanese officers, and to send Mr. Angus and Mr. Joyce from the port.

It is noted that you have been compelled under force majeure to issue the pay of an Acting Commander temporarily to Mr. Yasuda, but it will of course be understood that, as intimated to you in my letters of the 8th and 29th July last year and as I informed H.E. Monsieur Tani in my despatch of the 14th July, any appointment made under duress cannot be recognised. While the Customs Administration may not be able to resist effectively such direct action as the Japanese Naval Authorities in Chefoo see fit to take, it is impossible for me to condone action which constitutes interference with Customs personnel, impairs the integrity of the Service and is in the special interests of a foreign Naval Power engaged in hostilities with China. Similarly, additional staff cannot be appointed to the "Haicheng" until the vessel is returned to Customs sole control for the purpose of carrying out purely Customs functions (and Customs functions only) without interference.

With regard to the demands of the Naval Authorities for the transfer of Messrs. Angus and Joyce, I may point out that it has not been my intention to retain officers permanently in positions where there are no proper duties for them to perform, as can be seen from the fact that Mr. Angus is being allowed to go on the termination of his contract on the 24th February and is not being replaced for the time being.

Finally, I desire to reiterate that the difficulties and the delicacy of your position are appreciated and I hope that you will continue your efforts to uphold successfully the integrity of the Customs Administration, which is a question of International interest, affecting all the great Powers.

Yours truly,

(Signed) F. W. MAZE.

S. Momikura, Esquire,

CHEFOO.

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

-2-

Copied by: hh
Compared with: com

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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. 4 to despatch No. 995 from C. E. Gauss,
American Consul General, Shanghai, China, dated February 10,
1939, on the subject: "Displacement of British and American
Officers on the Chinese Maritime Customs Cutter "Haicheng".

C O P Y .

GENERAL 11979

C.R. 8836

7th February 1939.

Sir,

With reference to my previous communications to his Excellency Monsieur Tani concerning the seizure by the Japanese Naval Authorities at Chefoo of the Customs Cutter "Haicheng" and especially to my representations of the 14th and 19th July 1938, which outlined the reasons which rendered it impossible for me to appoint staff to a vessel which had been seized by, and was under the direct control of an alien Power, or to recognise appointments made without Inspectorate authority, I have now the honour to state that the Chefoo Commissioner has since reported that the Japanese Naval Authorities there recently demanded (a) that he should appoint an officer of their own selection as Acting Commander of the vessel; (b) that he should recruit two additional Japanese officers for appointment to the ship, failing which they declared that they will appoint their own nominees (all charges in respect of pay and emoluments having to be met by the local customs); and (c) that the two foreign officers stationed there who were formerly attached to, but were forcibly removed from the "Haicheng", should be transferred. As the action contemplated would if executed impair the integrity of the Customs Administration, which has an international status, I request you to approach the Naval Authorities concerned with a view to inducing them to abandon their affirmed intentions, and release the "Haicheng" in order that it may resume normal Customs functions.

I have the honour to be,

Sir,

Your obedient Servant,

(Signed) F. W. Maze

Inspector General of Customs.

M. Morishima, Esquire,
etc., etc., etc.,
Japanese Embassy,
SHANGHAI.

Copied by: *hh*
Compared with: *7-11-47*

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 23, 1939

Geneva's despatch no. 508 of
March 6.

To note the title of the
transmitting despatch and the
second paragraph of the enclosed
communication.

In case you wish to note
them, parts of the sub-enclosure
have been marked to show the
variety and some of the more
serious cases of the alleged
outrages.

FE:Chase:HJN

DECLASSIFIED: E.O. 11652, 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. 508 Political.

AMERICAN CONSULATE

Geneva, Switzerland. March 6, 1939

AM/C
EE/ra

M
Bucknell

SUBJECT: Transmitting Communication from the
Chinese Permanent Delegation on
Japanese Outrages.

RECEIVED
DEPARTMENT OF STATE
MAR 14 1939

HONORABLE

THE SECRETARY OF STATE

WASHINGTON

Division of
FAR EASTERN AFFAIRS
MAR 18 1939
Department of State

793.94/14807

With reference to my telegram no. 79 of

RECEIVED
DEPARTMENT OF STATE
MAR 24 1939
ASSISTANT SECRETARY
OF STATE

May 7, 1938, concerning a communication from the
Chinese Permanent Delegate to the Secretary-General
on the subject of Japanese outrages in the Sino-
Japanese conflict, I have the honor to inform the
Department that the Chinese Permanent Delegate has
now addressed a further communication to the Secretary-

General on the same subject, which brings up the
list of Japanese outrages to the end of 1938. I

1/ have the honor to enclose a copy of the communication
to the Secretary-General, which has been communicated
to the Council and Members of the League, and I as-
sume also to Members of the Advisory Committee.

Respectfully yours,

Howard Bucknell, Jr.
Howard Bucknell, Jr.,
American Consul.

F/FG

Enclosure:

1. League Document C.86.M.46.1939.VII.

Original and five copies to Department of State.
One copy to American Legation, Bern.

HBjr/ra

FILED
MAR 18 1939

14807

DECLASSIFIED: E.O. 11652, 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 with Despatch No. 508
 of March 6, 1939 from the
 Consulate at Geneva, Switzerland.

LEAGUE OF NATIONS.

Communicated to the
 Council and Members
 of the League.

C.86.M.46.1939.VII.

Geneva, March 3rd, 1939.

COMMUNICATION FROM THE CHINESE DELEGATION.

Geneva, March 1st, 1939.

To the Secretary-General.

6 In continuation of the note I have addressed to you on May 5th, 1938,* I have the honour to bring to your notice (see enclosure) some of the facts which have occurred since that communication till the end of 1938 and concerning the indiscriminate bombardment and killing of Chinese non-combatants and the wilful destruction of non-military objectives by the Japanese forces.

As regards the bombardment of civilian population by Japanese aircraft which has been repeatedly condemned by the unanimous indignation of the civilised world, I wish to point out that the opinion expressed by the special correspondent of the London Times in the cable he sent on May 31st, 1938, after witnessing the horrors of an air raid on Canton, to the effect that "the bombs dropped had no mission to fulfil save terrorism through slaughter" has been corroborated even by Japanese officials holding responsible positions. I need only to refer to the announcement made by Read-Admiral Nomura, Chief of the Japanese naval special service section at Shanghai, on June 7th, 1938, of the Japanese Navy's "intention to carry out air raids with even greater vigour so as to bring the Chinese authorities to realise the futility of their present attitude", and to the statement made by Mr. Shigeru Yoshida, Japanese Ambassador in London, on June 14th, 1938, that the bombardments were intended to "demoralise the Chinese people". Again, only a few days ago, the Chinese authorities have found in a Japanese bomber, which was brought down at Loyang, Honan province, written instructions to Japanese airmen directing them to bomb crowded business centres in order "to demoralise the population".

I would ask that you be so good as to transmit this communication to the members of the Assembly, the Council and the Advisory Committee for information and consideration.

I have the honour to be, etc.

(Signed) HOO CHI-TSAI,

Director of the Permanent Office
 of the Chinese Delegation to the
 League of Nations.

* See document C.155.M.91.1938.VII.

DECLASSIFIED: E.O. 11652, 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 -

Some facts concerning the indiscriminate bombardment and
 killing of Chinese non-combatants and the destruction of
 non-military objectives by the Japanese forces
 May - December 1938.

- May 1 - Another case of Japanese aircraft attacking Chinese cultural institutions occurred when six Japanese bombers raided Changting district, West of Fukien province, at noon dropping more than ten bombs over the Amoy University.
- May 5 - The Japanese bombed the Italian Mission Compound in Nanhsuchow. Dr. Robert McLure of Toronto, Canada, Field Director of Hankow International Red Cross Committee, said that although the Italian Mission Compound was situated many miles from the railway station, was well-known as a center for refugees and was flying a large Italian flag, it was attacked twice by Japanese aeroplanes nevertheless, first with high explosive bombs and again shortly afterwards with incendiary bombs, one of which fell right through the Italian flag. More than 300 civilians were killed during the attack on Nanhsuchow which was of no military importance.
- May 10 - Japanese planes attacked Amoy dropping 200 bombs. Amoy University was severely damaged.
- May 11 - Japanese planes, with their base on Kinming Island, bombed Amoy in relays, inflicting heavy civilian casualties.
- May 11-13 - Japanese indiscriminate bombing of cities and towns behind the battle fronts along the Lunghai Railway was intensified causing heavy civilian casualties.
- The Mark B. Grier Memorial Church of the South Presbyterian Mission in Hsuechow was bombed three times and completely destroyed by 5 Japanese planes on May 12th. The Church had an American flag painted on the roof. Over 1,000 buildings were destroyed at Hsuechow and over 200 civilians killed or wounded. At a nearby village 200 refugees were killed by bombs from Japanese planes on May 11th.
- The Baptist and the Catholic churches in Chengchow were also bombed by Japanese planes. 8 people were killed or wounded in the Baptist Church compound and several people were killed or wounded in the Catholic Church compound. The American hospital, the premises of the Rotary School and over hundred civilian houses in Chengchow were blown up.
- The Catholic Church in Suhsien was destroyed.
- Kaifeng, the Capital of Honan Province was also raided by 24 Japanese planes in the morning of May 13th. More than 40 explosive bombs were dropped. In the afternoon six Japanese planes made a second raid on Kaifeng dropping 40 bombs. The casualties of the two raids on Kaifeng amounted to 39 civilians killed and 103 injured.
- May 13 - Hsuechow was bombed by 54 Japanese planes in relays. Over 100 civilians were killed and many buildings were destroyed.

- 3 -

- May 11-14 - More than 2,500 civilians were killed as a result of the Japanese artillery and aerial bombardment of Amoy Island. The private Amoy University was set on fire by Japanese incendiary bombs. A few days later, after the occupation of Amoy by the Japanese, 1,500 members of the peace preservation corps were taken by the Japanese to the Sun Yat-sen park and machine-gunned. The corpses were later dumped into the sea.
- May 28 - More than 70 Japanese aeroplanes bombed the most populated districts in Canton, dropping more than 200 bombs. Over 560 civilians and 45 Red Cross relief workers, were killed and 980 people wounded. 400 buildings, houses and shops were blown up. Two schools were completely destroyed.
- May 29 - The Japanese again raided Canton with over 40 planes. 315 civilians were killed and 528 wounded. More than 200 houses and shops were destroyed. Two more schools were wrecked.
- May 30 - 60 Japanese aeroplanes bombed the populated districts and commercial center in Canton. 320 civilians were killed, more than 600 people wounded and 540 buildings destroyed. The value of the property destroyed by the raids on Canton since May 28th amounts to more than 10 million Chinese dollars.
- May 31 - Canton was bombed for the fourth day in succession. Several hundred civilians were killed or injured.
- May 1938 - Since the outbreak of hostilities in 1937 up to May 1938, the Japanese killed 8,430 Chinese fishermen and members of their families, including women and children, and destroyed 412 Chinese fishing boats and junks, in the waters near Hong Kong. The total damage is valued at five million Hong Kong dollars. All these fishermen who were so brutally murdered had been registered with the Hong Kong Government and had fished in the territorial waters of Hong Kong.
- June 3 - 25 Japanese planes bombed the densely populated districts of Canton. 20 civilians were killed and over 60 wounded.
- June 4 - 49 Japanese aeroplanes bombed Canton again. They came in relays one after another, and dropped more than 70 bombs. Over 20 places in the densely populated districts were bombed, and about 600 houses were destroyed. The number of people killed and wounded amounted to about 600, excluding those buried under the debris of buildings.
- Canton authorities estimate that over 5,000 civilians were killed or wounded during Japanese air raids since May 28th. Kwangtung province has been bombed by Japanese aircraft over 2,000 times since the outbreak of the war. Canton alone was attacked 800 times. The Japanese raiders confined their attacks to within the city limits so that the majority of victims were women and children.
- June 5 - Canton was raided again. Several hundred civilians were killed or injured.
- June 6 - Japanese planes dropped more than 100 bombs on all parts of Canton. The French Hospital and the Red Cross Unit were hit. There were more than one thousand casualties.

- 4 -

- June 7 - 41 Japanese planes again raided Tungshan and Saichuen, Canton's East and Western residential districts, respectively, dropping about eighty bombs and setting Tungshan on fire.
- June 9 - During the week June 3-9, every day Japanese planes raided Tatung, Hoyuehchow, Hengkang and Chiuhsien, and many Yangtze river cities west of Wuhu, the commercial capital of Anhwei, dropping no less than one thousand bombs and destroying almost as many buildings and killing an unknown number of civilians. During the same period, over 20 Japanese warships also actively bombarded the same cities, firing over 2,000 shells and causing heavy casualties and serious damage to property.
- June 13 - Canton was bombed for fifteen days in succession beginning on May 28th, during which period the number of casualties amounted to at least seven thousand civilians, fifteen hundred buildings were wrecked and fifteen relief medical establishments destroyed.
- June 13 - Japanese warships fired upon a dozen Chinese fishing boats near Bias Bay, southeast of Kwangtung coast. After destroying several of them, Japanese bluejackets towed the remaining vessels out to sea and poured kerosene over them to set them on fire. Seven vessels were completely destroyed and others were badly damaged. Fishermen who tried to escape were machinegunned.
- Japanese warships have recently taken to using Chinese fishing boats for target practice in South Kwangtung waters. Chinese fishermen are ordered to sail their ships out to the open sea and then the Japanese warships open fire on them until the boats are blown to pieces. Many fishing boats are thus destroyed and many fishermen killed.
- July 1 - 2 - Japanese planes bombed Swatow for 2 days in succession. About 200 bombs were dropped. 120 civilians were killed and over 300 wounded including 2 Americans.
- July 5 - Over one hundred non-combatants were killed when Japanese planes bombed Loyang. It was the worst air raid the city has suffered since hostilities began. Eleven Japanese planes raided the city in relays for 4½ hours, dropping 135 bombs. The residential and business sections, in the North part of the city, suffered the heaviest casualties. Two hundred and ninety houses were either totally or partially wrecked. There alone, ninety four persons, including women and children, were killed, and 84 seriously wounded. Three bombs made direct hits on the Loyang Prison. At least forty or fifty prisoners, according to the prison authorities, were killed or wounded.
- July 12 - Of 50 Japanese planes heading for Wuchang, 18 broke through the defence cordon and bombed Wuchang. At least 181 civilians were killed and 448 wounded. 100 houses were wrecked and 1000 people rendered homeless. One bomb landed on the principal residence of the "Hilda" girls school" belonging to the American church mission. Six bombs were dropped round the Christian and Missionary buildings. Two children in the courtyard were killed. The Hupeh Provincial Hospital was blown up, many patients and members of the staff being crushed beneath

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 -

the debris. There again slum dwellers were the sufferers from Japanese bombs. Many humble homes were blown to pieces. Altogether, 120 bombs of different sizes were dropped, some weighing over 500 pounds. The National Wuhan University was again the target of an attack. Many missiles landed on the campus, and scores of neighbouring houses were destroyed.

25 Japanese planes also raided Canton, dropping over fifty bombs and inflicting heavy casualties.

- July 13-14 - Japanese planes dropped bombs on crowded tenements, swarming market places and the riverside sampans at Canton. The casualties were 326 killed and wounded on the 13th and 150 dead and over 400 wounded civilians on the 14th.
- July 17 - Canton was raided again by Japanese planes inflicting 50 casualties.
- July 19 - 27 Japanese planes dropped about a hundred bombs on the three cities of Hankow, Wuchang and Hanyang, killing or wounding about one thousand one hundred and fifty civilians. In Hankow alone there were five hundred killed and five hundred wounded. In Wuchang, seventy-one were killed and seventy-seven injured. Hanyang escaped with the lowest number of casualties. It is feared that the death roll will be higher after the debris has been removed. The worst hit occurred on Sun Yat-sen road in Hankow, where three hundred refugees were quartered in the building of the Ningpo Guild, only a score of whom escaped death; the rest were buried alive. Death and destruction also attacked the slum district near the Anhwei Guild, where one incendiary bomb killed 30 and wounded scores of slum dwellers. Another terrible incident occurred at Paoching wharf, opposite Hangyang where two hundred mat sheds were burnt to the ground, causing the death of one hundred people. Most of the victims were poddlers and potters. Japanese air men also hit the widows' home and the girls' school belonging to the Chinese Christian Church. Bombs fell dangerously close to the American missionary's Trinity School for Chinese Girls and the American Boone College, which were nearly hit.
- July 22 - Nine Japanese planes carried out a raid on Changsha, the capital of Hunan, killing thirty four and wounding two hundred civilians, and destroying fifty civilian houses. Thirty bombs were dropped.
- Three Japanese bombers also dropped bombs on Namoa Island, off the northeast Kwangtung coast, destroying a hundred houses.
- July 23 - Nine Japanese planes bombed Canton, dropping thirty bombs.
- July 27 - Japanese planes heavily bombed Yochow on the Northeastern corner of Tungting lake in Hunan province. Many civilians were killed and numerous civilian homes were destroyed.
- August 2 - Harbour officer J.T.C. Crawley, Irish, of the Chinese Customs service, two Chinese first mates, one Chinese cook of the Customs patrol boat "Kiang Hsing" were killed by machine gun fire from six Japanese naval aeroplanes which attacked the boat at a point thirty six miles below Hankow.
- August 8 - At least five hundred civilians were killed or wounded and two hundred buildings were wrecked when twenty eight Japanese planes dropped 36 bombs on Canton. The French Cathedral was also damaged. The Jihhsin primary school was also wrecked and there were many casualties.

- 8 -

August 11 - The Wuhan area was heavily bombed by Japanese planes, which caused more than 1000 casualties among civilians. 102 planes took part in the raid, but 72 actually penetrated into the Wuhan area, coming in three relays from Eastern Hupeh. Japanese planes started by bombing Hanyang, using explosive bombs ranging from 50 to 100 kilograms each. At least 200 bombs were dropped, killing and injuring 600 civilians and wrecking at least 400 buildings at Hanyang. When the Japanese planes dropped their bombs, hundreds of terror-stricken residents on the river front jumped into the river and were drowned. More than 30 junks on the Han river were upset, drowning another hundred people. Wuchang was visited by the raiders three times during the day, most of the bombs falling in slum districts, killing hundreds of non-combatants, mostly women and children. Boone university, which is American property was bombed, 3 people being killed and 60 wounded. Among the injured were several foreign members of the college staff. An American missionary building in Wuchang was also bombed and destroyed, about 100 civilians being killed. A secondary missionary school for girls in Wuchang was also destroyed and many people killed or wounded.

August 11 - Canton was raided 4 times. The casualties were heavy.

August 12 - Wuhang was again raided, 200 bombs being dropped on Wuchang and the same number on Hankow. The Wuchang clinic, a three storied building, was completely destroyed.

August 12 - According to twelve fisherman, the sole survivors of eighty-two, who were captured by the Japanese, and had just arrived in Waichow, in eastern Kwangtung, the Japanese warships on the South Kwangtung Coast continue their cold-blooded massacre of Chinese fishermen. These survivors declared that they were members of the crew of a fleet of twenty-two fishing boats recently seized by Japanese destroyers along the Eastern coast of Kwangtung province. After having ransacked the boats and set fire to them, the Japanese took the fishermen and their wives and children on board their destroyers. The women were all raped, and the men were compelled to do the heaviest kind of work. On August 11th, all the fishermen and their wives were tied up and thrown into the sea; the Japanese then started machinegunning them in order to be sure that they were dead. All except twelve, who were good swimmers, perished.

August 16 - Residential districts of Wuchang and Hankow were bombed by 81 Japanese planes, killing or wounding over 300 civilians and destroying about 300 buildings. The casualties would have been much heavier if these districts had been bombed a few days earlier before they had been evacuated. During the raid at least 260 bombs were dropped.

August 24 - A passenger plane "Kweilin", belonging to the China National Aviation Corporation was attacked by five Japanese planes and compelled to make a forced landing near Chungshan, off the Kwangtung coast. The planes continued to machinegun the "Kweilin", and 14 of the 17 persons on board - passengers and crew - were killed. As the "Kweilin" was flying the regular air route, it was clear that the attack was deliberately made by the Japanese according to a prearranged plan.

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 -

August 25 - A number of defenceless Chinese cities were raided by the Japanese. A squadron of raiders dropped at least 30 bombs on the civilian area of Nanchang, capital of Kiangsi province, killing 18 civilians and injuring 20. Kian, in Kiangsi province was also raided but no casualties were reported, though the Japanese dropped 20 bombs. Eight Japanese planes bombed Wuchow, in Kiangsi, concentrating their attack on industrial and university districts. 24 bombs fell on the campus of the Kwangsi Provincial University and 25 others on the premises of Wuchow high school.

August 29 - 50 Japanese planes raided Kinshan 100 miles northwest of Hankow dropping over 200 bombs and reducing the town to ruins. More than 1,000 civilians were killed or wounded.

August 31 - Chuchow, in Hunan, was raided by 18 Japanese planes. More than 70 civilians were killed or wounded and 200 buildings destroyed. Several junks anchored off the river front were blown to pieces.

July 1937 - During these first 14 months of Japanese aggression end of the damage done to Chinese educational and cultural institutions by Japanese air and land bombardments or other means of destruction amounted to 217,401,743 Chinese dollars.

September 2 - 15 Japanese planes dropped bombs on the University of Kwangsi on the left bank of Pearl River opposite to Wuchow. The University buildings were partly destroyed.

September 2 - No less than 3,780 harmless Chinese civilians were killed in cold-blood in the villages near Taiwang Railway station, on the Taokow-Thinghua railway, in Western Honan by way of revenge for the death of several Japanese soldiers killed by Chinese guerillas, while on sentry duty near the station.

Believing that the Japanese soldiers had been shot by farmers from nearby villages, the Japanese surrounded all the villages in the vicinity of the station of Taiwang and set the buildings on fire. Machine-guns were placed in position at street corners and those who fled from their burning homes were mown down in cold-blood. After this brutal massacre, which lasted a whole night, the entire population of the villages, numbering 3,780 men, women and children, was completely wiped out.

September 5 - Japanese planes attacked a passenger plane belonging to the Eurasia Company, 150 kilometers from Hongkong. The oil tank was hit and the plane made a forced landing near Liuchow. The plane was flying the regular air-route and the attack shows Japan's desire to disrupt China's communications.

September 11 - Hsuehchang on the Southern section of the Peiping-Hankow Railway was raided by 18 Japanese planes. At least 60 bombs were dropped, killing 170 civilians.

September 26 - More than 80 wounded Chinese soldiers and three nurses were killed, when No. 121 Chinese field hospital was bombed by Japanese planes at Tayeh East of Hankow on the South Yangtze bank. The attack was deliberately made, as all the bombs were aimed at the hospital, which received several direct hits. The buildings were completely destroyed and all the patients killed. The dean of the hospital and three military surgeons were seriously injured and all medical supplies were destroyed.

- 8 -

September 27 - Near Yochow, Hunan, five Japanese planes attacked the international train which left Wuchang on the night of September 25 and was proceeding to Canton. However, the bombs missed the train. The train was also machine-gunned, but nobody was injured. The colours of the international train were prominently displayed on the roof.

September 28 - 9 Japanese bombers raided Kunming, capital of Yunnan. About a dozen bombs were dropped causing 40 civilian casualties and wrecking several buildings.

October 3 - 5 Japanese planes raided Nanchang, capital of Kiangsi province, dropping 40 bombs, which killed 19 civilians and wounded over 80. 40 houses were wrecked.

October 4 - Six Japanese planes raided Chungking, Szechwan province. 3 boatmen were killed and 2 persons were wounded, including one woman.

October 5 - 50 non-combatants were killed or wounded as nine Japanese bombers raided Kiangsi provincial capital Nanchang, dropping 66 bombs and destroying 60 civilian homes.

October 6 - 89 Japanese planes heavily bombed many towns in the Kwantung and Kwangsi provinces. Wuchow suffered the heaviest civilian casualties, as 11 planes dropped over 100 bombs. More than 100 civilians were killed or wounded, mostly women and children.

October 16 - Over 70 Japanese planes bombed the South Kwantung towns, including Canton. Wongsha station was bombed and 20 civilians were killed and many wounded.

October 17 - 150 Japanese bombers dropped large numbers of bombs on 5 cities in Hunan on the Canton-Hankow railway, doing an enormous amount of damage. Chuchow, 40 kilometres south of Changsha, the capital of Hunan province was bombed 6 times, and 4 other towns, Lukow, Polo, Taolin and Yuehyang were each bombed once. Over 100 Japanese planes bombed cities and towns in Kwangtung. As a result of all these raids many civilians were killed or injured.

October 19 - Changsha, capital of Hunan province, was raided three times by Japanese planes which dropped about 200 bombs. The casualties amounted to 300 civilians. 400 houses were destroyed. Huge fires broke out in many sections of the city.

Pinchiang in East Hunan was also bombed. 50 bombs were dropped on the busiest sections of the city. The casualties amounted to 600 civilians. 300 houses were destroyed. A ferry which was crossing the river was machine-gunned and many passengers were killed or drowned.

October 22 - A large number of refugees were killed or wounded when 27 Japanese naval bombers dropped more than 100 bombs on Hsuchia-peng station in Wuchang, where refugees were waiting to be evacuated by train. Several members of the railway staff were also killed.

The Japanese planes also raised Liuchiamiao station, Wuchang. Over 100 bombs were dropped, many houses were destroyed, 30 persons were burned to death and over 50 injured.

- 9 -

October 23 - 3 passengers steamers carrying refugees from Hankow were bombed by Japanese bombers, on the Yangtze river not far from Hankow. They were ss Hsiangyang, ss Kianghsin and one coal launch, which had been converted into a passenger steamer. The ss Hsiangyang was carrying 2000 passengers, ss Kianghsin, 1000 passengers and the coal launch, 5000 refugees. All three were sunk. Only about one hundred passengers were rescued.

October 24 - 6 Japanese bombers attacked at Changsha the British gunboat Sandpiper which was flying the British flag. Each of the planes released one bomb, but missed their mark. One bomb exploded so near the gunboat that two cabins were wrecked and the superstructure damaged.

October 26 -- Samwa, a quiet town, 185 kilometers northeast of Canton, was bombed by Japanese planes. It contained no military objectives of any kind. The Samwa high school, received 2 direct hits, while students were attending classes. Over 100 young students were killed on the spot. Since the fall of Canton, Japanese bombers have made daily routine raids upon the villages and towns around Canton causing heavy casualties among harmless farmers and peasants.

In Kwangsi, eleven Japanese bombers raided Wuchow and dropped over 30 bombs on the university district, wrecking ten civilian houses and two junks and killing and wounding scores of persons.

October 27 - The Japanese soldiers committed their usual atrocities when they entered Hankow. The following atrocities were witnessed by foreign press correspondents and by the officers and crew of the U.S.A. Luson: Japanese soldiers rounded up a dozen Chinese and forced them into the Yangtze river and shot them. Chinese were also pushed into the river and shot although they were well within the safety zone agreed to by the Japanese authorities.

October 30 - Japanese planes raided Yungyun, North Kwantung, four times. 50 houses were destroyed, 70 civilians killed or wounded.

November 4 - 29 Japanese planes raided Hanchung, in South Shensi province. Houses were destroyed and a number of people were killed. Japanese bombers extensively raided cities far away from fighting zones causing particularly heavy casualties at Fangcheng and Hsiangyang in the West of Hupeh province.

November 8 - 17 Japanese planes raided Chengtu in the Szechwan province hurriedly dropping a large number of bombs on the suburbs of the city. The damage done was negligible however and only one civilian was injured. 109 Japanese planes in six detachments raided many towns in Hunan. 72 of them raided Hengshan and Henyang South of Shangsha. They dropped more than 200 bombs on the two towns, killing over 200 civilians and wounding 60.

November 9 - 51 Japanese planes bombed Hengshan 5 times in one hour, destroying many houses and the Nanyo temple. Many civilians were killed.

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

- 10 -

In Changteh, 170 kilometers northwest of Changsha, 6 Japanese planes dropped over 10 bombs, wrecking 12 dwelling houses and killing and wounding 18 persons.

November 10 - In Liuyang, 65 kilometers northwest of Changsha, 18 Japanese planes dropped about 100 bombs. Over 1,000 civilians were killed or wounded. A large part of the town was reduced to a shambles.

November 10 - 2 Japanese planes dropped 3 bombs on a Chinese red-cross building where the 59th medical unit was quartered, in Changshon town in Northeastern Hunan, injuring 6 members of the unit. The planes also bombed the primary school of the district where one boy scout unit was quartered. Several boys were injured.

November 15 - 17 Japanese planes raided Chengtu, the provincial capital of Szechwan province, dropping a large number of bombs outside the city, and killing one old woman.

November 16 - Liuchow, in Central Kwangsi province was raided by 22 Japanese planes, which dropped more than 30 bombs, killing or wounding 100 civilians and setting many houses on fire.

Lungchow, situated in the Southwestern corner of Kwangsi, was raided by 13 Japanese planes, which dropped more than 20 bombs, killing and wounding many civilians.

November 17-18 - Japanese planes raided Ichang, Hupeh province. Over 10 bombs were dropped on the French Catholic Church and hospital, which were partly destroyed. The roof of the buildings was marked with a huge French flag. 40 refugees in the church compound were killed and 30 others were injured. The planes also dropped incendiary bombs on the poor residential district, rendering 400 people homeless. 20 people were killed or wounded.

November 18 - Sian, provincial capital of Shensi was raided by 19 Japanese planes. Many houses were destroyed and 90 civilians were killed or wounded.

November 20 - Ichang was bombed by 9 Japanese planes, dropping over 30 bombs 10 people were killed or wounded.

2 Japanese planes bombed Yulin, North Shensi causing 4 casualties.

November 21 - 21 Japanese planes raided Kweilin, provincial capital of Kwangsi, killing one person and wounding six. 60 bombs were dropped.

November 23 - 20 Japanese planes raided Sian, provincial capital of Shensi. The bombing was concentrated on the residential districts. The raiders dropped 80 bombs, wrecking 150 houses. More than 250 civilians were killed or wounded, among whom were 100 Moslems.

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

- 11 -

November 24 - 4 Shensi cities were bombed by Japanese planes. Yenai city received about 20 to 30 bombs, and 80 persons were killed or wounded, and 20 houses were destroyed. The other 3 cities were the following: - Tungkwan, where the raiders dropped 30 bombs and killed 10 people, Chaoyi where the casualties were less than 10, and Sanhokow, where there were 2 casualties.

November 25 - Kwangning, Kwangtung province, was raided by 8 Japanese planes, which dropped 20 bombs causing 100 civilian casualties, 90 houses were destroyed.

Szechui, Kwangtung province was bombed, 10 houses were destroyed and several civilians killed and wounded.

November 28 - Changteh, Hunan province, was raided by Japanese planes, which dropped over 40 bombs, killing 5 civilians, wounding 30 and wrecking 100 houses.

November 30 - Japanese planes raided many cities and towns in Hunan, Kwangsi and Hupeh provinces, causing a considerable number of casualties and doing serious material damage to business premises. Changsha, Yichiawan, Sannmen, Paoching, Chuchow in Hunan were raided. Ichang, Western Hupeh was also bombed.

35 Japanese planes subjected Kweilin, provincial capital of Kwangsi, to the severest bombing since the outbreak of Sino-Japanese hostilities. The raiders bombed the city in three detachments, and did considerable damage as over 60 bombs fell on Kwei-pei road and Kweinan road, two of the busiest thoroughfares. The casualties amounted to 171, mostly women and children. Over 100 bombs were dropped both inside and outside the city. Many fires broke out in different sections of the town and over 200 houses and buildings were destroyed or burned down. Kweilin is absolutely devoid of military objectives.

July 7, 1937 - November 30, 1938 - According to statistics published by the National Relief Commission, 35,157 Chinese civilians had been killed and 44,050 others wounded by Japanese aerial bombs during this period. The unascertained casualties are not included in these figures, therefore the actual number of victims is certainly higher.

Altogether 417 towns and cities in 20 out of 28 of China's provinces have been raided by Japanese aeroplanes. The number of bombardments amounted to 3,548 times.

Kwantung province was bombed the most: it was bombed 1,318 times and 52 of its cities were raided. 9,797 civilians were killed and 13,902 wounded.

Hupeh province, where Hankow is situated, ranks second with 6,520 civilians killed and 7,762 wounded.

Hunan province comes after with 5,253 killed and 6,985 wounded.

- 12 -

The other 17 provinces raided were Kiangsu, Chekiang, Anhwei, Kiangsi, Szechwan, Hopei, Shantung, Shansi, Honan, Shensi, Fukien, Kwangsi, Yunnan, Kweichow, Kansu, Suiyuan and Ninghsia.

December 2 - Kweilin was bombed again by 21 Japanese planes, which dropped heavy explosive and incendiary bombs on the business section of the town and also on the residential districts. The casualties are estimated at 5,000, or 1/12th of the total population of 60,000. The worst damage occurred in 8 business streets where people were buried under debris and falling buildings. Many were killed outright, some blown to pieces and some burnt to death, as many fires broke out, caused by incendiary bombs. Over 400 buildings and shops were reduced to ashes. A mosque was completely destroyed.

An eye-witness saw nearly 70 bombs drop within a few minutes, most of them falling on the crowded business sections.

December 17 - 7 Japanese planes bombed and machine-gunned Tungsheng, in Suiyuan, Inner Mongolia, killing and wounding between 300 and 400 civilians. The raid occurred while the temple fair was in progress, which accounts for the heavy casualties.

December 26 - Japanese bombers flew over the provinces of Szechwan, Hupeh, Hunan, Anhwei, Kiangsi and Kwangtung spreading death and destruction.

December 29 - 15 Japanese planes dropped over 100 bombs at Kweilin. Most of the incendiary bombs landed in the prosperous business center turning it into a veritable inferno. The "International Club" Kweilin's largest hotel totally collapsed. The American Baptist hospital and the American Church Missionary Society were set on fire. The city's amusement center received several incendiary bombs and 200 houses in that area were completely razed to the ground. Altogether 1,500 houses and buildings were destroyed and more than 10,000 people rendered homeless.

On the same day Japanese planes raided many towns in Kwangsi, Kwangtung and Hunan, such as Changteh, Hanshou, Taoyuan in Hunan, Shiukwan, Lienhsien in Kwangtung.

16 Japanese bombers in two detachments dropped many bombs on Changteh wrecking two hundred civilian homes and business establishments causing over 200 casualties. Meanwhile 6 Japanese planes raided Hanshou, killing seven civilians, wounding ten and destroying a dozen of shops. Taoyuan another West Hunan town was bombed by eight planes.

In Kwangtung eighteen planes raided Shiukwan and seventeen planes raided Lienhsien.

DECLASSIFIED: E.O. 11652, 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

PLAIN & GRAY
TELEGRAM RECEIVED

Shanghai via N. R.

Dated March 17, 1939

FROM Rec'd 2:25 p. m.

Secretary of State,
Washington.

217, March 17, 2 p. m.

The Central China Liaison Office of the Asia Development Board has just been established here and is headed by Vice Admiral Shizuye Tsuda. The local Japanese press reports that Admiral Tsuda in his first interview with newspapermen stated that all Japanese economic, political and cultural policies in China will come under the jurisdiction of the Asia Development Board which, however, will have no voice in Japanese military operations in China. Questioned as to basic principles of policy towards China, Vice Admiral Tsuda is reported to have declared that no principles of such major importance could be formulated while hostilities are still in progress and added that he is in no position to direct the Japanese Government's policy from Shanghai and that the bureau which he heads is expected to function as an intermediate. Real work, Vice Admiral Tsuda is reported to have said, will begin after he has received instruction at the conference of

Liaison

793.94/14303

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

REB

2-#217, From Shanghai, Mar. 17, 2p.m.

Liaison Bureau chiefs slated to be convened in Tokyo late this month. As regards the Shanghai office, Vice Admiral Tsuda stated that it had not yet been fully staffed and that councillors would be appointed when necessary from among financial and business leaders in local Japanese civilian circles.

Commenting on the functions of the Central China Liaison Office the local Japanese papers stated that the political department of the office will maintain contact with the "Reformed Government" and will also engage in "information and propaganda work". The economic department of the office will be divided into three sections: the first section will deal with transportation and communications, electric and gas works, postal administration, agriculture, forestry, stock breeding, the mining industry, commodity markets and city planning; the second section will undertake liaison work with the Central China Development Company and in addition will exercise jurisdiction over inland river navigation, the fisheries industry, harbor works, ship building and the salt industry; the third section will supervise currency and taxation.

(GRAY) An officer of the Japanese Consulate General in discussing the establishment of the Central China

liaison

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

REB

3-#217, From Shanghai, Mar. 17, 2p.m.

liaison office of the Asia Development Board with a member of my staff confirmed the general powers and functions of the office as outlined by the local Japanese press. He said that officers from Japanese military and naval headquarters in the Central China area would be assigned to this office and the special service sections of the Japanese army and navy would come under jurisdiction. He said that one of the senior officers of the local Japanese Consulate General would also be assigned to the office and that the majority of the cases received by the Japanese Consulate from this office and presumably from other foreign consulates would be referred to the Central China liaison office rather than to the military and naval authorities as had been customary in the past. Asked whether this new procedure would expedite settlement of cases, he replied that it was not possible to tell at the moment.

Repeated to Chungking, Peiping, airmail to Tokyo.
 Copy to Nanking by mail.

GAUSS

CSB

TELEGRAM RECEIVED

NC

FROM

GRAY

TSINANFU via Tsingtao &
N. R.

Dated March 14, 1939

Rec'd 7:30 a.m. 18th

Secretary of State

Washington

9, March 14, 5 p.m.

The Consulate has obtained the following information
from a Chinese source which in the past has proved
reliable.

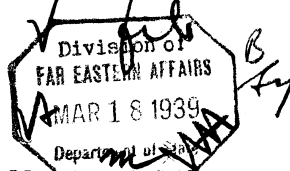
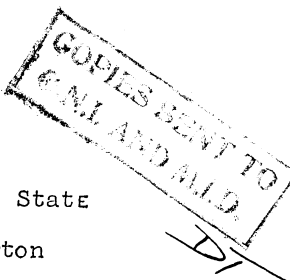
One. The Tao Yin of Western Shantung who is now in
Tsinanfu has received a telegram from his office in
Tsining to the effect that about 40,000 Chinese troops
have entered Shantung in the vicinity of Tsaochow near the
Honan border. They have killed over 1,000 Japanese and
de facto government troops and have possibly retaken some
occupied towns in the country area.

Two. Informant also states Chucheng in Eastern
Shantung was recently recaptured by Yu Hsueh Chung's forces
which annihilated the local Japanese garrison. Japanese
reinforcements despatched to retake the city encountered
strong resistance but succeeded in dislodging the Chinese
after six days with the assistance of thirty Japanese
naval planes.

Three.

793.94/14809

F/FG



RECEIVED
MAR 18 1939

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

NC -2- #9, March 14, 1939 from Tsinanfu.

Three. Japanese allege that there were recently sixty thousand Chinese troops in Kiangsu. Following the Japanese advance northward after the capture of Haichow it is not improbable that an incursion of Chinese troops into Shantung has occurred.

Repeated to Peiping and Chungking, by mail to Tsingtao.

HAWTHORNE

CSB

150
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 24

This telegram does
not appear to call
for action by the
Department

[Signature]

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

see 203
LEGAL ADVISER
MAR 27 1939

TELEGRAM RECEIVED DEPARTMENT OF STATE

EG

PLAIN

Chungking via N. R.

FROM

Dated March 18, 1939

Rec'd 11:15 a.m.

Secretary of State,

Washington.

190, March 18, 11 a.m.

Central News Agency published the following report
under Nanchang date line of March seventeen.

"Nine Japanese bombers conducted a systematic
bombing on Kuling on March fourteen, according to
a Kuling report.

One of the bombs fell in the compound of a
foreign residence killing a Chinese tailor. Another
bomb fell on the American school. In both cases the
buildings were clearly marked out by brightly painted
flags on their roofs. The fact that all other bombs
fell on open spaces while these two bombs made direct
hits indicated that the Japanese have singled out
foreign property at Kuling for their aerial attacks.

Several incendiary bombs were also dropped but
they all fell in the woods."

Another Central News Agency report dated Nanchang
March seventeen states that eighteen Japanese planes
bombed

bombed

793.94/14810

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

-2- #190, March 18, 11 a.m. from Chungking via N. R.

bombed during one March sixteen demolishing among
other buildings a Catholic church.

Embassy has no (repeat no) confirmation of
foregoing reports.

Repeated to Peiping, Hankow, Shanghai. Shanghai
mail Tokyo.

PECK

RR

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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. Hankow/138 FOR #549

FROM Hankow (Josselyn) DATED Jan 10, 1939
 TO NAME 1-1127 ...

REGARDING: Sino-Japanese situation: developments for the month of Dec.,
 1938, in summary.

FRG.

793.94/14811

14811-

7508

DECLASSIFIED: E.O. 11652, 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) Military Operations.

793.94
(18-5-11)

Information regarding the progress of military operations is difficult to obtain in Hankow as there are few sources of information available except the press, and very little information is to be obtained from that source. However it appears that during December the Japanese

Political report
December 1938
Hankow, China

-6-

Japanese forces to the south and west of Hankow have made little or no progress. After the Japanese captured Yochow on November 11 it was fully expected that they would almost immediately push on and take Changsha. That this was also the expectation as well as the fear of the Chinese military is evident from the haste with which Changsha was evacuated and a large part of the city reduced to ruins by fire and dynamite.* The reasons given for the failure of the Japanese forces to advance are the rapid and continuous fall in the water level of the Tungting Lake which precluded the Japanese Navy from entering the Lake in force and also the stiffening of Chinese resistance. At the beginning of December it was stated that the Japanese troops on the Hunan-Kiangsi border were spread over a front of 270 Kilometers from a point on the Nanchang-Kiukiang Railway halfway between Nanchang and Kiukiang to the Canton-Hankow Railway about 40 kilometers south of Yochow. On December 7 the Japanese spokesman in Shanghai admitted that the Chinese forces on the Changsha front had rallied and were putting up a stronger resistance. According to Chinese despatches a counter-attack by Chinese troops on December 9 resulted in their capture of two towns five miles to the southeast of Yochow, and on December 22 it was stated in Chinese reports from Chungking that their attack was continuing and that the Chinese forces were then within two kilometers of Yochow. It was also stated that Japanese reinforcements had withdrawn to the northeast toward Fuchi. The situation at Yochow was obscure at the end

of the

* November Political Report, Page 9.

0511

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

Political report
December 1938
Hankow, China

-7-

of the month. No word whatever has been received from the American missionaries there since its capture by the Japanese.

In the Nanchang-Kiukiang Sector there has been no change in the situation during the month, the two sides apparently occupying opposite banks of the Hsiu River about half way between Kiukiang and Nanchang. According to press reports, the Chinese Commander at Changsha stated that the Mofushan Mountain Range in Northern Hunan and Kiangsi together with the Poyang and Tungting Lakes and the rivers running into them constitute a strong defensive position for the Chinese, and that the Japanese must bring in four fresh divisions of troops before they will be able to take Nanchang and Changsha.

To the west and northwest of Hankow there is also little evidence to show that the Japanese have advanced appreciably during the month. An American missionary who came to Hankow from Sinyang, south Honan, on December 18th reports that the Japanese forces had evacuated from Loshan and Hwangchuan, southeast Honan, and that these places were held by Chinese. He stated that the Japanese line is only a little distance north of Sinyang, and that the railway line from Sinyang to Chengchow is in Chinese hands, but has been largely torn up and destroyed. That section of the Peiping-Hankow Railway between Sinyang and Hankow is in working order except the tunnel at the Wushengkwan Pass on the Honan-Hupoh border which had been blocked and also mined by the Chinese previous to their evacuation. It is necessary for passengers and freight to be carried around this
tunnel

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

Political report
 December 1938
 Hankow, China

-8-

tunnel a distance of about one kilometer.

A Red Cross doctor who made his way to Hankow from Tsao Shin, central Hupeh, reports that that town was held by about 2000 Japanese infantry when he left there the middle of December. The country side was swarming with guerillas or more properly bandits, but they appeared to be more interested in levying contributions on villages and towns than in attacking the Japanese. There are small Japanese garrisons at a few of the larger towns for a short distance of about 80 miles up the Han River from Hankow, but beyond that they have apparently not attempted to penetrate. On December 14 the Japanese stated that their air force had discovered Chinese troops at Tsao yang, Suihsien and west of Kingshan which towns were all in northern and central Hupeh, east of the Han River, thus indicating that the Japanese advance westward of the Peiping-Hankow Railway in that part of the province had not progressed to any extent.

At the time of the retreat before the fall of Wuhan a considerable Chinese force remained east of the Peiping-Hankow Railway in the Ta Pieh Mountains in northeastern Hupeh and southeastern Honan. The Japanese announcement on December 14 that Chinese troops under General Yu Hsueh-chung had been attacked from the air at Shangcheng in the southeastern corner of Honan would indicate that they are still in that area. It was claimed by the Japanese on January 4 that some 5,800 Chinese regular troops had surrendered in the Ta Pieh Mountains in the north of Hupeh after their retreat had been cut off.

Information

Political report
December 1938
Hankow, China

-9-

Information received from foreign eye-witnesses during December confirms reports previously received of the systematic destruction of towns and villages along the Yangtze in the advance on Wuhan. Not only were these river towns subjected to heavy aerial bombardment and fire from naval vessels, but later both villages and country side were systematically pillaged. Cows, pigs, chickens and farm implements were taken as well as everything of value in the houses, and what could not be removed was broken up. Water buffaloes and donkeys were taken and held for ransom; women and girls were raped, and men taken as carriers and for other work.

There has been some military activity in southwestern Shansi on the part of the Japanese, apparently in an attempt to cross the Yellow River into Shensi but no developments of importance in this connection appear to have taken place.

(2) Japanese Air Activity.

That the Japanese air force had been fairly active throughout December is evidenced both from reports appearing in the press of reconnoitering activities and bombing raids and also from the considerable number of military planes daily flying over this area and departing from and returning to the Japanese air field at Hankow. According to Japanese reports their air force on December 7 bombed Chinese forces in northern Hunan, east of Yochow; also Chinese barracks northwest of Pingkiang, as well as Chinese troops
moving

Political report
December 1938
Hankow, China

-10-

moving in trucks 40 kilometers south of Pingkiang and at Nankiang west of Changsha. On December 14 a raid was carried out at Kienli, a short distance up the Yangtze River from Yochow. On the same day the Japanese planes scouted over Chungking and Liangshan in Szechuan. Raids were carried out at Chungking on December 26 and 29. Sian in Shensi is reported to have been frequently raided, and Ichang was also raided on December 24, and on December 29 a raid was carried out on Kweiyang, Kweichow Province, during which Changteh, Taoyuan and other towns in northern Hunan suffered damage.

(3) Japanese Military Supplies in Wuhan.

Large quantities of Japanese military supplies of all kinds have arrived and been unloaded during the month. Some are stored on the foreshore of the former concession areas temporarily and also in godowns. Certain parts of the burned section fronting on the Han River have been cleared of ruins and designated as storage points for military supplies. There are also large quantities of stores on the south bank of the Yangtze in the vicinity of Wuchang.

(4) Rumors that Wuhan might become Seat of New National Government.

There have been rumors current for some weeks past that the Japanese military politicians would select Hankow as the seat of the new National Government of China.* It was argued in support of these rumors that Hankow is the geographical center of China and that if

it were

* Telegram No. 108, December 15, 5 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

Political report
December 1938
Hankow, China

-11-

it were the seat of Government it would indicate that
the new Government exercised a greater measure of control
over the whole country than if the capital were near
the coast.

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

793 94

DOCUMENT FILE

NOTE

SEE 893.00 P.R./153 FOR #1878

FROM China (Lockhart) DATED Jan 14, 1939
TO NAME 1-1127 ...

REGARDING: Sino-Japanese situation: developments, in summary, for the
month of Dec., 1938.

FRG.

793.94/14812

14812

- 9 -

793.94
5. Japan:

a. The military situation; lull
in major hostilities:

December was a month of comparative military inactivity. The important military problems still confronting the Japanese (see November review) remained essentially unchanged; and the Japanese were apparently resting large units of their troops following the successful October campaigns in south and central China. According to some observers, including the Embassy's Military Attaché, the Japanese by their inactivity were committing the same tactical error which, after their capture of Nanking (December 1937), permitted the main bodies of the Chinese forces to recuperate and reorganize.

b. South China:

In South China, Japanese forces undertook a consolidation of positions on the Pearl River and reportedly withdrew from the Bias Bay and Maichow areas in eastern Kwangtung to Tsengshing, 40 miles east of Canton. Their northern lines were at the end of the month 20 or 30 miles distant from Canton, Tsungfa and Fayuan having been occupied by Chinese forces. West of Canton, the Japanese held Patshan, Shanshui and Kwokong, but not outlying territory or Kungmoon.

c. Central China:

The Japanese land and naval forces made little progress in the area west and south of Hankow. Advance on Changsha was held up south of Yochow and a Chinese counter-offensive was launched in that region. The

Chinese

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

- 10 -

Chinese continued to hold a line midway between Nan-
 chang and Kiukiang. The Pinghan Railway was operated
 by Japanese between Hankow and Sinyang but the Sinyang-
 Chengchow section was reportedly entirely taken up by
 the Chinese and moved westward.

d. North China; Shansi; 6
projected drive into Shensi:

The projected Japanese drive from south Shansi
 into northern Honan and Shensi as preliminary to an
 attack upon Sian, Shensi, (to cut the channel of Chi-
 nese supplies from Soviet Russia via Sinkiang), did not
 materialize due to continuing Japanese failure to effect
 a crossing of the Yellow River. A Japanese campaign in
 west Shansi was successful in driving Chinese units
 from various towns which the Japanese had previously
 occupied and relinquished. According to the Japanese
 military spokesman at Peiping after the close of the
 month, Japanese troops were awaiting the freezing of
 the Yellow River along the west Shansi border to under-
 take a crossing there and subsequent attack on Yen-an,
 Shensi, "capital" of the Chinese Communists.

e. Aerial activities:

Japanese bombing operations included attacks upon
 Yen-an, Shensi, and Kweilin, Kwangsi. Kweilin reportedly
 suffered great damage.

f. Guerrilla activities:

Although Chinese guerrilla activities continued,
 the meagerness of reports concerning them indicated
 that they generally decreased in December. Attacks

upon

6. Embassy's (Peiping) 16, January 11, 12 noon.

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

- 11 -

upon railways were of minor importance and the Japanese kept the lines in occupied areas operating with fair regularity; the Pingnan from Peiping to Hsin-hsiang, Honan (about 30 miles north of Chengchow); the Tsingpu from Tientsin south to Kungpu; the Peiping-Hukden its entire length; and the Pingsui from Peiping to Paotou, Suiyuan. Reports of serious guerrilla attacks late in December upon Paotou and Kuisui were not confirmed at the end of the month.

8. The question of peace; Monoye's statement and the defection and declaration of Wang Ching-wei:

An unexpected series of developments in December brought the recurring question of peace negotiations farther out of the realm of academic discussion than it had been since the German attempt at mediation in December, 1937. These, in chronological order, were: (1) the flight December 19 from Chungking of Mr. Wang Ching-wei, Deputy Leader of the Kuomintang and Chairman of the Central Political Committee; (2) a statement December 22 by the Japanese Premier setting forth Japan's demands upon China; and (3) a declaration December 29 by Mr. Wang advocating peace negotiations upon the basis of the Monoye manifesto.

Reports that these developments occurred by arrangement between Japanese agents and agents of Mr. Wang were not confirmed in December. Observers who credited them pointed to (1) the circumstantial coincidence of

events

7. Embassy's (Peiping) 8, January 6, 4 p.m.

- 12 -

events (including the apparent collapse early in December of the movement for a "federal" government in the occupied areas to be headed by Marshal Hu Pei-fu⁸), (2) the subsequent (January 4) resignation of the Monoye Cabinet which they interpreted as partly due to the failure of Prince Monoye's demarche, and (3) the reported journey to Hong Kong at the end of December of General Doihara. It appeared definite that there was no early likelihood of discontinuance of the Chinese policy of resistance or of any concrete peace discussions. General Chiang Kai-shek took occasion soon after Mr. Wang's departure to repudiate any action which the latter might take, the spokesman of the Chinese Foreign Office rejected Prince Monoye's peace conditions, and Mr. Wang was expelled (January 2) from the Party.

h. Wang Ching-wei's flight from Chungking:

Mr. Wang left Chungking December 19 secretly by air for Yunnanfu en route to Hanoi. (Mr. Wang had long been identified with a group opposed not only to the inclusion of the Chinese Communists in the United Front - he was the leader of the opposition against the reconciliation in the spring of 1937 between the Kuomintang and the Communists - and as having consistently favored a policy of negotiation with, rather than armed resistance against, Japan. This policy he advocated in 1932 and pursued in 1935 during the Japanese military demarche in North China when he was President of the Executive Yuan and Minister for Foreign Affairs. He caused, in August, 1935.

8. Embassy's (Peiping) 746, December 30, 4 p.m.
9. Embassy's (Chungking) 613, December 23, 9 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

1935, a crisis in the Government by demanding that General Chiang assume responsibility for, and share the criticism of, his allegedly weak attitude in the face of Japan's aggressive tactics in the North.)

Shortly after Mr. Wang's departure, General Chiang informed the British and American Embassies that nothing Mr. Wang might do or say would represent the Chinese Government in any way.

10

11
 1. Prince Konoye's statement:

The conditions for peace laid down in Prince Konoye's statement of December 22 were: (1) abolition in China of anti-Japanism and resentment against "Manchukuo"; (2) conclusion of a Sino-Japanese anti-Comintern agreement; (3) stationing of Japanese troops as anti-Communist forces at specified points in China during the period of such agreement; (4) designation of Inner Mongolia as a special anti-Communist area; (5) effective Sino-Japanese economic collaboration including (a) freedom of Japanese residence and trade in the interior of China and (b) extension to Japan of facilities for development of natural resources especially in North China and Inner Mongolia. The statement added that: (1) "Japan seeks neither territory nor any indemnity for the cost of military operations"; (2) Japan "demands only the minimum guarantee for the execution by China of her function as a participant in the establishment of a new order in Asia"; and (3) Japan not only respected the sovereignty of China but was prepared

to

10. Embassy's (Chungking) 620, December 25, 12 noon.
 11. Tokyo's 602, December 25, 2 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

- 14 -

to surrender extraterritoriality and concessions.

J. Rejection by the Chinese
Foreign Office; press comments:

Rejecting in its entirety the Konoye declaration,
 a spokesman of the Chinese Foreign Office stated Decem-
 ber 24 that (1) the declaration was "in no wise differ-
 ent" from previous declarations of the Japanese Govern-
 ment; and (2) it showed that Japan's basic policy of
 destroying the independence of China and closing the
 Open Door remained unchanged. The Chungking and Shanghai
 vernacular press expressed similar views and emphasized
 that China would continue to offer resistance until Japan
 should change its policy toward China. Foreign (non-
 Japanese) press comments were similar to those of the
 Shanghai North China Daily News that the declaration
 "consists of words rendered entirely meaningless by the
 facts which eloquently deny the statements" and
 show that the Japanese "are bent upon a policy of definite
 exploitation of China, its people, and its natural
 resources".

K. Wang Ching-wei's move
for peace:

Press services at Hong Kong published December 30
 a circular telegram addressed by Wang Ching-wei to the
 Central Political Council and other Kuomintang organs,
 in which he (1) took as text the proposals and explana-
 tory passages of the Konoye statement of December 22;
 (2) saw in Prince Konoye's undertakings about sovereignty
 and extraterritoriality the possibility of insuring

the

12. Embassy's (Chungking) 618, December 24, 12 noon.
 13. Shanghai's 1493, December 23, 2 p.m.

- 15 -

the "security of the Northern provinces" and recovering territory lost in the present war, and of preserving China's administrative independence; (3) declared that, (a) as the projected anti-Comintern pact would be concluded in the spirit of the Rome-Berlin-Tokyo pact, suspicion could be discarded that such collaboration with Japan would lead to interference in Chinese political and military affairs, (b) the pact, aimed merely at checking the "subversive international conspiracy of the Communists" would not affect relations with Soviet Russia but (c) it would call for abandonment by the Chinese Communists of their Party organization and propaganda, frontier government and special military system and would make them subject to the legal institutions of China; (4) considered as acceptable in principle the Yenoye statements concerning Sino-Japanese economic collaboration; and (5) added that it was "especially important for Japan to withdraw her troops speedily and entirely from all parts of China" and the special zone in which Japanese troops might be stationed during the period of the anti-Comintern agreement should be limited to the region in and near Inner Mongolia.

1. Apparent failure of Wang's démarche:

The apparent failure of Mr. Wang's declaration to cause a favorable reaction in Chinese political circles was to have been anticipated from an announcement by General Chiang Kai-shek shortly after Mr. Wang's departure that no patriotic Chinese would advocate peace at the present time and from the statement of the Chinese Foreign

Office

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

- 16 -

Office spokesman rejecting the Lonoye declaration (see page 14). Mr. Wang's action was universally condemned by the Chinese controlled press and by Party and Government organs. The Central Political Board of the Party and the Political Affairs Department of the Military Affairs Commission issued January 1 a semi-official reply to his manifesto which repudiated Mr. Wang and his expressed views, stated that "resistance has by now become the irrevocably established national policy", and contended that his defection would only increase Chinese strength and unity. The Central Executive Committee dismissed him January 2 from the Party for life and deprived him of all posts, ¹⁴ and an order for his arrest was issued. The Chinese controlled press in general considered that his expulsion from the Party evidenced a defeat for Japanese political intrigue, and one British ¹⁵ journal stated that acceptance of the Japanese peace terms pursuant to Mr. Wang's appeal would have indicated that the Chinese Government was bankrupt of morale and meant "acceptance of a doctrine of defeatism which up to the present Chiang Kai-shek and those who support him have shown no signs of being willing to accept."

m. Lack of progress toward a "federal" government; opposition of "Wengchiang" to joining with other regimes:

No apparent progress was made in December toward the formation of the projected "federal" government for the occupied areas; there was evidence that the "Wengchiang" regime strongly opposed joining with the Peiping
and

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14. Embassy's (Chungking) 2, January 2, 9 a.m.
 15. Shanghai's 11, January 4, 11 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

- 17 -

and Nanking regimes under the "United Council"; and the
 movement to place Hu Pei-fu at the head of such a govern-
 ment appeared to collapse. According to some Chinese
 sources, interested Japanese political agents failed to
 come to terms with Marshal Hu. According to others,
 including officials of the "Provisional Government" at
 Peiping, orders from Tokyo were received here early in
 December by Japanese political agents to cease temporarily
 all such political maneuvers. These sources later stated
 that the instructions in question were connected with the
 subsequent defection of Mr. Wang Ching-wei and the Konoye
 and Wang declarations (see pages 11, 13 and 14).

19
 n. Postponement of third meeting
of the "United Council":

The third meeting of the "United Council" scheduled
 to open December 23 in Peiping was postponed because,
 according to official pronouncements, severity of the
 weather prevented Nanking members from reaching Peiping
 by air. Some "Provisional Government" sources, however,
 stated unofficially that the postponement was connected
 with circumstances surrounding the Konoye and Wang
 declarations.

20
 o. Restrictions on trade in 21
North China; wool and cotton:

The North China embargo on the export of wool con-
 tinued in force, and anticipated restrictions on local
 and export trade in cotton were announced December 5.

2.

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- 16. Embassy's (Peiping) 736, December 22, 1 p.m.
 - 17. Embassy's (Peiping) 704, December 3, 12 noon; last
 sentence of 722, December 15, 3 p.m.; 746, December 30,
 4 p.m.
 - 18. Embassy's (Peiping) 20, January 11, 3 p.m.
 - 19. Embassy's (Peiping) 704, December 3, 12 noon; 740,
 December 23, 3 p.m.
 - 20. Embassy's (Peiping) 20, January 11, 3 p.m.
 - 21. Tientsin's 222, December 1, 5 p.m.; 225, December 6,
 12 noon; monthly political report for December.

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

- 18 -

22

p. New Japanese-controlled
aviation company:

A new Japanese-controlled air service called the China Aviation Company was inaugurated December 17 with services between Peiping and Tokyo via Tsingtao and Pairen with a projected expansion of service via Tsingtao to cover the former route of the China National Aviation Company, a Sino-American enterprise (see page 1). The new company absorbed the former Sino-Japanese Huitung Corporation. Air mail service was also started between Tientsin and places in "Manchukuo".

23

q. Recall of Japanese
"Minister-at-Large":

Japanese "Minister-at-Large" Masayuki Tani was recalled, and was not replaced during December.

c. Relations of a General International Character:

1. Japanese interference with
foreign rights and interests:

Japanese interference with foreign rights and interests in the occupied areas continued without fundamental change (see pages 1, 7 and 8).

24

2. Restrictions against British and
French Concessions at Tientsin:

Japanese agitation against the British and French Concessions at Tientsin, which began in August and resulted in October and November in a general Japanese evacuation of those two areas, developed in December into

concrete

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22. Embassy's (Peiping) 729, December 19, 3 p.m.
 23. Shanghai's 1483, December 17, 10 a.m.
 24. Embassy's (Peiping) 727, December 17, 3 p.m.; 734, December 21, 2 p.m.; 741, December 23, 5 p.m.; Tientsin's 228, December 15, 8 p.m.; 230, December 16, 5 p.m.; 232, December 20, 3 p.m.; 233, December 22, 10 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

- 19 -

concrete restrictions on the movements of persons in and out of the two Concessions. Giving as reason "the increasing activities of anti-Japanese and Communist elements in and around Tientsin", the Japanese military barricaded December 17 a number of streets leading from the Concessions to Chinese areas, instituted at open streets a rigid inspection and searching of Chinese, and required foreigners to show passports or other documents of identity before passing the boundaries. There was also interference for a few days with the movement of commodities in and out of the Concessions.

Some of the matters of Japanese complaint were adjusted. Following similar action by the British Municipality in November, the French Municipality began accepting Federal Reserve Bank notes in tax payments. The telephone administration in the British, French and Italian Concessions was handed over to the Chinese Municipality in consideration of the latter's agreement to re-establish outside connections (this arrangement had been previously proposed by the British). The assassination December 28 in the French Concession of Mr. Wang Chu-lin, Chenglu Salt Commissioner, Chairman of the Tientsin Chamber of Commerce and onetime member of the former Peace Maintenance Committee, had an adverse effect on the situation and subsequent Japanese statements in the press voiced a demand for "reorganization" of the police of the British and French Concessions. (According to one unconfirmed report from French sources, Mr. Wang's assassins were paid agents of persons who desired

- 30 -

desired to bring discredit upon the French Concession authorities.)

25

3. Evacuation of foreigners
from Kuling:

The evacuation from Kuling, Kiangsi, within the Chinese lines, of 15 Americans, 15 British, 2 Swedes and 1 German, was effected December 10 under an arrangement with Chinese and Japanese military whereby a British naval officer escorted the refugees from Kuling to the last Chinese barrier and an American naval officer escorted them therefrom to Hukiang. The refugees were transported down river on a Japanese steamer.

4. Relief and replacement of foreign
naval vessels on the Yangtze:

Arrangements announced in November by the Japanese naval authorities for the relief and replacement of foreign naval vessels on the Yangtze were carried out in December with some modification.

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. Amoy/136 FOR #12-

FROM Amoy (MacVitty) DATED Feb 3, 1939.
TO _____ NAME _____ 1-1127 ***

REGARDING: Sino-Japanese situation: developments, in summary, for Jan., 1939.

FRG.

793.94 / 14813

14813

DECLASSIFIED: E.O. 11652, 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. Military Activity.

793.94
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Since the occupation of Amoy the port of Chuan Chow (泉州) has become an important import and export port for this district; most of the Butterfield and Swire and the Douglas Line ships making regular calls there. Heretofore the Japanese have not attempted to interfere with this traffic, but on January 6th they sent a number of armed steam launches and motor boats from Amoy, and blockaded the port for four days. During this time the port was bombarded intermittently, the bombardment, however, causing practically no damage. It is understood that the bombardment of Chuan Chow (泉州) caused considerable more excitement in Kulangsu than in Chuan Chow.

2. Interference with Fishing Boats.

After the occupation of Amoy the fishing
boats

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

- 4 -

boats operating in the Bay of Amoy and adjacent waters were reduced to a number hardly sufficient to supply the needs of Amoy and Kulangsu, and those boats operating have been selling their catch in the Kulangsu market. New regulations have now been promulgated by the Peace Preservation Committee of Amoy to the effect that fishermen selling their catch in Kulangsu will have their licenses revoked. This regulation indicates an attempt on the part of the Peace Committee to force Chinese merchants in Kulangsu to purchase their supplies of fish in Amoy.

3. Taxes Increased in Kulangsu.

At a meeting of the Kulangsu Municipal Council on January 13, 1939, it was agreed that the assessment tax be increased by 12½ percent; and that the salaries of policemen be increased 15 percent. This proposal will be submitted to the general rate payers meeting on February 13, 1939, for confirmation. As stated in this section of this report for December, 1938, the increase in taxes in Kulangsu is the result of the Japanese demand that 12 Japanese policemen be employed by the Kulangsu Municipal Council.

4. Conditions in the Interior.

According to articles in the Japanese sponsored newspapers in Amoy, the people on the mainland adjacent to Amoy are panic stricken, fearing an invasion by the Japanese and the Chinese Army's "scorched earth" policy. Actually, reliable persons who have recently travelled in the interior report that conditions are steadily improving, and produce

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

- 5 -

is moving freely via other ports than Amoy, especially via Chuan Chow (泉州) and Lung Yen (龍巖) and recently large supplies of oranges have been brought to Kulangsu for transshipment.

It is reported that guerrillas to the number of 15,000 have been organized in South Fukien under the command of three colonels, Huang Ke Sheng (黃克繩), Chen Kun (陳昆) and Lin Shou Kuo (林壽國), who are all natives of Fukien. In addition, it is understood, a much larger number are under training for guerrilla warfare.

It is being consistently rumored that 75th Division of the Chinese Army, now stationed in Fukien, will be replaced by the 157th Division. The 157th Division is well known locally for its anti-Japanese spirit, hence considerable space has been given to these rumors by the Japanese sponsored press in Amoy.

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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. Tsingtao/127 FOR despatch # 393 to Embassy.

FROM Tsingtao (Sokobin) DATED Feb. 8, 1939.
TO NAME 1-1127 ***

REGARDING: Sino-Japanese conflict: Situation report,
for month of January, 1939.

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1484 -

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

3. Japan

793.94
The Japanese community celebrated the anniversary of the occupation of Tsingtao on January 10, 11 and 12. A grand review of the large contingent of troops in Tsingtao took place, with several parades through principal streets where several temporary arches had been erected. While the parades and reviews were impressive enough, there did not appear any spontaneous acclamation.

Campaign Against Guerrillas

Following the celebration of the anniversary of Tsingtao's occupation, a large movement of the Japanese troops westward from Tsingtao took place. At the same time the Japanese Naval Headquarters in Tsingtao announced a blockade of the Laichow Bay Coast. Thereafter reports were received of the occupation of several important cities on the old Chefoo-Weihsien motor highway, the repair of the destroyed sections of which commenced immediately. Reports were also received from reliable sources indicating that the Japanese were employing a strategy of pincer movements sector by sector in the Shan tung Promontory and immediately to the west where the distance between the coastline of Laichow Bay and the

153

DECLASSIFIED: E.O. 11652, 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 railway at Weihsien is not more than 35 miles. By closing the narrow gap between Weihsien and a point to the north on the coast, and with the railway from Tsingtao to Weihsien as the southern line, firmly held by the Japanese, it would appear that the guerrillas in the promontory will be placed in a very difficult position. The sectors which the Japanese are working are much smaller and are comprised within the one big sector of the promontory. Reports also indicated that the Japanese forces are vigorously pursuing highway repair operations which will afford them great advantages over guerrillas in the mobility of their troops. Once the motor highways are repaired and extended by the Japanese with the aid of their mercenaries it may be expected that the Japanese hold on these lines of communication will be no less strong than is the hold on the railways and that guerrilla warfare against the highway lines will be no more effective than it is against the railways which carry on as efficient service as might be expected in the circumstances.

Japanese Economic Activities

The principal feature of Japanese economic life again observed in Tsingtao was the growth of retail stores owned by Japanese. It must be remembered that in Chinese economic life, particularly in Shanghai, Canton and Hongkong, great progress in distribution of merchandise had been made by the Chinese department stores operated on modern lines. It appears that Japanese interests will seriously tackle this line of commerce and the activity in remodeling and in new construction of retail shops by Japanese must be regarded as an important phase in the Japanese economic exploitation of China.

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

DOCUMENT FILE

NOTE

SEE 893.50/184 FOR #1992

FROM Shanghai (Gauss) DATED Feb 9, 1939
 TO NAME 1-1127 ***

REGARDING: "War and China's Planned Economy"
 Article which appeared in the CHINA NEWS AND VIEWS DIGEST,
 Feb 3, 1939. Copy of-, enclosed.

FRG.

793.94/ 14815

14815 -

0534

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

PAP

GRAY

TSINANFU VIA TSINGTAO & N.R.

FROM

Dated March 15, 1939

Rec'd 5:20 p.m. March 18

793.94

Secretary of State
Washington

12, March 15, 5 p.m. /4809

My telegram Number 9, March 14, 9 a.m.

One. Chinese troops in Tsaochow area now reported to belong to 8th route Army and to be commanded by Peng Teh Huai. It is said that Japanese troops and officers of Chinese turn coats taken prisoner all slaughtered and feet of Chinese soldier turn coats amputated.

Two. Rumored Chang Ya Tung, Commissioner of Police in Tsinanfu, is to succeed Chao Chi as mayor of Tsingtao when the latter is transferred to Peiping in the near future.

Repeated to Peiping and Chungking. By mail to Tsingtao..

HAWTHORNE

WB:KP

MAR 23 1939

RECEIVED

793.94/14816

F/FG

153

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tsinan/113 FOR despatch # 36 to Embassy.

FROM Tsinan (Hawthorne) DATED Feb. 10, 1939.
TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations: Situation report, for
month of January, 1939.

793.94/14817

14817 -

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

1. Japan.

a. Military Situation.

793.94

By sheer terrorism, rather than military strength, the Japanese continued to hold the lines of communication, important commercial centers and strategic points in this district, and to operate the former Chinese Government railways more or less uninterruptedly.¹ Nevertheless, the Japanese appear to have despaired of ever extending the authority of the Peiping Government on any permanent basis with the meagre military forces in Shantung (only 55 of the 107 hsien constituting the province had been brought under even nominal control, according to the "adviser" to the Governor, during the year's "occupation"), and the month of January witnessed the arrival of considerable reinforcements for the Shantung area. Accordingly, in conjunction with the Japanese Navy, which blockaded the coast from Tientsin (Tianjin), on the Shantung Promontory, to Chikow, at the mouth of the Whiapai River (石碑河) in Hopeh, effective January 23rd except for neutral shipping, a concerted attack on guerrilla strongholds in northeastern Shantung was launched by Japanese troops on January 17th from bases along the Tsing-tao-Tsinan Railway. As a result of this movement the Japanese announced the capture of Loan (Kwangjao) on January 21st, Kutingfu (Hueimin) on the 22nd, Pinhsien (Pinchow) and the port of Yangkiewow on the 23rd, Litsing on the 24th and Mohsing on the 25th, thus bringing under Japanese control all important points in that section of the province.² And contrary to the policy heretofore of temporary occupation and withdrawal, the Consulate understands from the Japanese "adviser" to the Governor that the above-named towns will be garrisoned by Japanese troops until such time as local militia can be recruited, trained and equipped to maintain law and order, to cover the expenses of which a tax of Chinese \$8,000 is being levied on each hsien (or county).

0539

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

- 4 -

It has been denied by an official Japanese source that the Japanese Navy landed any forces, either military or naval, on the Shantung coast during the recent action. The only purpose of a blockade would, therefore, appear to have been to prevent the escape by sea of the guerrilla bands under Chen Hung-lich (legitimate Governor of Shantung) in northeastern Shantung, who are said to have fled towards the sparsely populated region north of Pihaiien and to have suffered heavy losses from airplane attacks during their retreat. However, if the campaign was primarily designed to capture Chen himself, it was foredoomed to failure. The Consulate is reliably informed that Chen had previously left that part of the country and that he is now in the vicinity of Ishai (沂水), in southeastern Shantung.

That the already ineffective guerrilla resistance to the Japanese invasion of this province is crumbling rapidly was evidenced during January by

(1) dissension among guerrilla leaders,¹

(2) disaffection of armed Chinese on a large scale²

and

(3) reversion to the more lucrative pursuit of banditry on the part of many of the so-called guerrillas.³

754

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

DOCUMENT FILE

NOTE

SEE 693.4112/27 FOR Tel. #13, 2 p.m.

FROM Nanking (China) (Clubb) DATED Mar. 17, 1939
TO NAME 1-1127 ***

REGARDING: Anti-occidental propaganda -
Subsequent to announcement that British Government
proposed to guarantee the British share of exchange
equalization fund, local Chinese press carried items
increasingly anti-British in tone. British assistance
to National Government will cause resignation of
Chinese employees of British firms. Reform Government
urges Great Britain to immediately cease assistance.
Propaganda charges Great Britain variously with deep-
seated imperialism, destruction of world peace, etc.

dt

793.94 / 14813

14813 -

FE
EV

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

Nanking via N. R.

Dated March 17, 1939

Rec'd 11 a.m.

Secretary of State,
Washington.

13, March 17, 2 p.m.

Anti-occidental propaganda.

Some anti-occidental propaganda was in evidence during the course of the organized activities in support of the "new order in East Asia" in early March. Subsequent to the announcement that the British Government proposed to guarantee the British share of the exchange equalization fund the local Chinese press has carried items increasingly anti-British in tone. The semi-official "NANKING SING PAO" reported on March 14 that the Taminteen (organized by the Japanese as a substitute for the Kuomintang: comparable to the Hsinminteen of North China), "observing that the masses are bitterly angered at the action of England in assisting Chiang", will extend the anti-British movement through a boycott of British goods and by causing the resignation of Chinese employees of British firms; in order to give effect to this project an appropriate organization is to

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893.91

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693.412/27

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

-2- #13, March 17, 2 p.m. from Nanking via N. R.

to be created, comprising propaganda corps, boycott societies and a "petition society" to urge the Reform Government to request Great Britain immediately to cease assistance to the National Government; and the Taminteen itself was stated to have sent such a telegram to the British Government.

741.93
Yesterday's press reports would indicate that the movement is gaining momentum due to strenuous efforts on the part of interested elements. The propaganda charges Great Britain variously with deep-seated imperialism, destruction of world peace, and with being together with the Communist Party the world's public enemy. Various Chinese organizations are allegedly telegraphing the Reform Government petitioning for retaliation against England.

The British Consul evidently views developments with some concern. He states that there have not been as yet any actions directed against British goods or concerns but observes that the North China Provisional Government will reputedly be asked to join the movement and that mass meetings are reported to be scheduled for early April.

It

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

-3- #13, March 17, 2 p.m. from Nanking via N. R.

It is my opinion that present circumstances make it possible for the Japanese to employ with effect a "popular boycott" against British goods should they decide to do so.

Despatch follows. Repeated to Peiping, Shanghai, by airmail to Tokyo.

CLUBB

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

DEPARTMENT OF STATE

ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS

Mr. Feis:
The Haskins
Division of
FAR EASTERN AFFAIRS
APR 4 - 1939
Department of State

After your
Note is sent will you
please return to me
I will go over it with
Luthringer HF

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 3, 1939.

PA/H
Mr. Hornbeck:

To note.

EA
Mr. Feis:

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
APR - 4 1939
DEPARTMENT OF STATE

You will probably wish to turn over to Dr. Luthringer, in connection with the study which he is making, Mr. Grew's letter to me of March 13, with the enclosure thereto.

If you concur in the acknowledgment which I have drafted to Mr. Grew, would you please be so good as to initial and to send the draft back to me for mailing.

FE:MMH:EJL

0540

Do you care to
comment on the
Ambassador's role?
HF

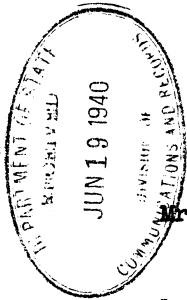
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 Department of State letter, August 10, 1972
 By Milton D. Gustafson NARS, Date 12-18-75

1487

DEPARTMENT OF STATE
 ADVISER ON
 INTERNATIONAL ECONOMIC AFFAIRS

April 5, 1939.

MEMORANDUM

Mr. Feis:



As I understand the attached note from Tokyo, its leading argument is that sanctions would destroy the capitalist system in Japan but that the Japanese people would accept this as well as a considerable reduction in their standard of living rather than forego the present Japanese objectives and policies with reference to China. This, in my opinion, by no means demonstrates that some type of socialism or fascism will enable the Japanese to acquire necessary raw materials or to avoid the drastic physical overhauling and rebuilding of their economy that would follow the application of sanctions. To what lines of productive work would many of the people engaged in silk production and the manufacture of cotton textiles be shifted? Could Japan obtain sufficient iron and non-ferrous metals to keep her metallurgical industries operating? How would Japan pay for goods imported from the "yen-bloc"? She has in the past paid for part

of

F.W. 793.94/14818 2

Confidential File

FW.
793.94

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

10488

-2-

of these by goods made from raw materials imported from non-yen-currency countries.

In other words, I do not believe that a mere alteration of the social or political framework within which the Japanese economy operates would necessarily solve the basic economic problems that would follow from effective sanctions. It is, of course, almost certain that sanctions would cause a serious reduction in the Japanese standard of living, and I am willing to concede that the Japanese population would accept this. However, the transitional period during which these adjustments were taking place would involve hardships much greater than after readjustment had occurred. It seems to me that the strain of suddenly and drastically readjusting a nation's economy, together with a simultaneous attempt to carry on a costly foreign war, might well gravely impair military efficiency and strain an economy to the point of collapse, no matter what its social and political framework.

It is of course possible that the Japanese might be able to weather an economic upheaval of this magnitude without finding it necessary to withdraw from China. Russia transformed her economic system and at the same time

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

15489

-3-

time overcame civil war and foreign intervention. Nevertheless, it seems to me that the strains and difficulties involved are so great that to argue that the problem can be reduced to a willingness to accept a decline in the standard of living is an oversimplification that gives a very misleading impression of the consequences of effective sanctions. In my opinion, there is at least an even chance that Japan would be so weakened by sanctions that she would have to withdraw from China or greatly modify her present objectives.

*Perhaps-- or more likely choose a favorable
 time to acquire Dutch possessions -
 H.F.*

GL

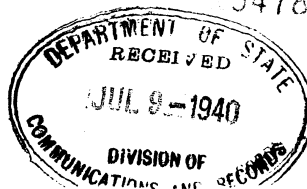
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

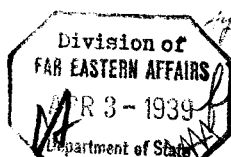


AMERICAN EMBASSY

Tokyo, March 13, 1939.

Strictly Confidential.

Dear Mr. Hamilton:



793.94
Your strictly confidential letter of February 17, enclosing a memorandum prepared under date of February 15 by an officer of the Office of Adviser on Economic Affairs on the subject of "Economic Reprisals against Japan", has interested me very much and I have studied the memorandum with the greatest care.

In reply I am enclosing a memorandum containing my counter-comments representing the views of Mr. Dooman, Mr. Coville and myself, and I shall be very glad to have you make it available to the officer who prepared the memorandum enclosed in your letter.

I note your request that that memorandum be made available only to Mr. Dooman and that the statements

Maxwell M. Hamilton, Esquire,
Chief, Division of Far Eastern Affairs,
Department of State,
Washington, D.C.

793.94/14818

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JUL 9 - 1940

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Confidential File

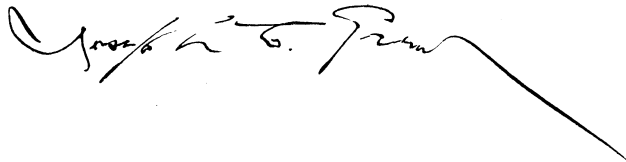
14818

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

- 2 -

contained therein be not communicated to anyone else. In view of the fact however that Mr. Coville, as well as Mr. Dooman, has been closely studying this whole subject, has assembled and prepared most of the data on which my several communications on this subject have been based, and has been working in intimate collaboration with me, I have taken the liberty, I feel sure with your approval, of letting him also read your letter and its enclosure in order that he might assist me in preparing my reply.

Sincerely yours,



Enclosure.
As stated.

155

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

15479

Tokyo, March 13, 1939.

Strictly Confidential.

Reference is made to a departmental intra-office memorandum dated February 15, 1939, copy of which was enclosed by Mr. Hamilton in his letter of February 17, 1939. The memorandum addresses itself to what is described as the "economic analysis" in our despatch No. 3591, - 114671
January 7, 1939, on the question of the application of economic sanctions against Japan.

In part II of the memorandum under reference there are presented comments on the conclusion reached in the study of the British Embassy which are substantially, if not precisely, similar to the comments made by us in our despatch No. 3679, February 14, 1939, and are, therefore, to be noted with satisfaction. In part I of the memorandum, however, there appear certain observations which need to be noticed.

The position taken therein by the officer who prepared that memorandum is that in our No. 3591 we gravely under-estimate the economic consequences to Japan of the sanctions suggested by the British Ambassador to Japan. Unfortunately, no unqualified and
definitive

193.74/14818 1/2

5480

- 2 -

definitive statement supporting that judgment can be found. The officer does indeed suggest that "sanctions might shake the Japanese economy from top to bottom", but he is "not prepared to assert positively the degree to which economic sanctions would have these graver effects"; and again "if she (Japan) suddenly became unable to obtain imports from the United States and the British Empire, her industry would receive a serious shock", and "more tardily her military efficiency would be impaired". The consideration on which the officer appears principally to have based the position which he suggests but does not espouse might be briefly, and not unfairly, reduced to this: Japan's industry is far more highly geared than it was in 1920* and, therefore, her industrial and economic systems could not be made to operate on the basis of raw materials purchasable outside the United States and the British Empire with the proceeds of goods exported to the value of

* Notwithstanding the depreciation since 1920 of the yen in terms of foreign exchange or of gold, the relatively small decline since 1920 in its internal purchasing power makes it a useful standard of comparison of volume of exports in 1920 and 1938.

755

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

5481

- 3 -

of average exports between the years 1916 and 1920.

We have now under preparation a despatch supplementing our 3591, January 7, 1939, and presenting at some length our more considered views with regard to the problem of sanctions, and it is proposed, therefore, in the present memorandum to address ourselves principally to the expression of belief contained in the memorandum under reference, that the question of the economic consequences of sanctions cannot legitimately be reduced to: "Is Japan likely to make any concessions 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?" In this connection we note that the officer who prepared that memorandum agrees that sanctions would be unsuccessful "if the only consequence of sanctions should be a reduction in the standard of living". The question which needs to be examined is whether there would be other consequences and, if so, what those consequences would be.

The first point to be considered is the degree to which sanctions would deprive Japan of primary materials in general, as distinct from materials necessary for continuing military operations.

We

155
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

6482

- 4 -

We have already presented to the Department in our despatch No. 3679, February 14, 1939, the conclusion that sanctions, if applied, would put into operation certain forces which would prove ultimately disastrous to the existing economic system, but we did not go into the question of what new economic system might be devised to meet a condition of extreme emergency, nor did we go into the question of the uses to which Japan could put new resources available in the occupied areas in China. It might be pointed out, however, that the nationalization of mechanical industry is not the least drastic of the measures which are actually under preparation and which are intended to be promulgated in the event of such emergency. Japan is self-sufficient in the matter of food supplies: she cannot be starved out, and, with the necessary reorganization in the systems of supply and demand, food can be made available for all. Again, the capital invested in Japan's mechanical industry derives from only a very small proportion of the population: the incidence of nationalization of mechanical industry would, therefore, fall largely
on

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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

5483

- 5 -

on the numerically unimportant investing classes. Further, as the continuation of the capitalistic system has already been mortgaged and now depends on the grandiose Japanese plans in China being successfully carried out, the failure of the aims in China because of either a military defeat or the effects of sanctions, would inevitably result in the collapse of the capitalistic system. If her economy were doomed in either case, would Japan persist in her China campaign or "fold up"? The choice which the Japanese Government intends to make has been authoritatively indicated.

The elements now in power in Japan have repeatedly declared their intention to evolve, if necessary, a new economic system, which would enable Japan, notwithstanding the restrictions imposed in the matter of sanctions, to continue with her present program in China. The question whether the Japanese people would readily support and accept the new system is one which can be answered only by estimating the capacity of the Japanese people to accept the necessary

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

5484

- 6 -

necessary sacrifices and their readiness to support their leaders. This is, therefore, a political question and not an economic one.

Although we agree that sanctions would deprive Japan of the markets and raw materials necessary for the operation of her mechanical industry under a capitalistic system, we do not know the extent of Japan's stocks of military raw materials and we doubt whether any one not a Japanese has any reliable knowledge of such stocks. For more than twenty years military attachés in Tokyo have noticed that the appropriations for both the Army and Navy have been in excess of computed costs of operation (including costs of construction and purchase of new equipment) of military and naval establishments, and the conclusion is reasonable, if not certain, that the surpluses have been applied to the purchase of reserve materials. It is doubtful whether even an intensive examination of export returns to Japan of various countries over a period of, say, twenty years, would result in producing a reliable estimate of Japan's reserve of military raw materials. In any event, we have made no such study and we cannot

assume

155
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

5485

- 7 -

assume that the stocks are negligible. In one respect at least they are known to be large: the reserve of fuel oil of the Japanese Navy is known to be sufficient to meet naval needs under conditions of war for a period of not less than three years nor more than four years. We believe that there are too many unknown and political and other intangible factors* involved in the question of determining whether Japan could, under the conditions envisaged, have access to sufficient materials to carry on military operations, and that, therefore, speculations on this score should be eliminated from our calculations.

The conclusion that consequences of sanctions would be so severe as to bring about a modification or abandonment of Japanese policy in China, postulates a choice for the Japanese only between preserving their present economy and modifying, if not abandoning, their present policy in China to avoid the imposition of sanctions and hence a collapse of the existing economic system. Those who hold this view deny or overlook the fact that there

is

* For purposes of illustration. - The Netherlands Government has stated that it would not apply sanctions against Japan unless the security of the Netherlands East Indies were guaranteed by the United States and Great Britain. Would the United States supply that guarantee?

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

10488

- 8 -

is implicit in the problem any such alternative as that above outlined. As above suggested, they are content to assume that as sanctions would effectively deprive Japan of necessary primary materials or alternatively war materials, she would inevitably be brought to her knees by the operation of sanctions. Only two days ago, the Minister of War and the Minister of the Navy declared that economic and social adjustments calculated to meet emergency conditions would be made if necessary, and we have no reason to discount such declarations. Nor can we assume that the Japanese people would not accept and support such changes. We cannot say whether the new economic system, if established, could be made to operate successfully under the conditions created by sanctions, but all the indications of developments occurring under our immediate observation are that the Japanese Government and people are prepared to face the lower standard of living which would inevitably follow these changes sooner than modify materially or abandon their policy in China.

0559

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

April 3, 1939.

STRICTLY CONFIDENTIAL

Dear Mr. Grew:

793.94

Your strictly confidential letter of March 13, enclosing a memorandum containing counter-comments on statements contained in a memorandum prepared under date February 15 by an officer of the Office of the Adviser on International Economic Affairs on the subject of "Economic Reprisals against Japan", reached me this morning. I have read your memorandum with care and I am, in accordance with your suggestion, making it available to the Office of the Adviser on International Economic Affairs. The Embassy's further comment will be, I am sure, of definite interest and value to all of us who are giving thought to this important and difficult question and especially to the officer in the Office of the Adviser on International Economic Affairs who is continuing his special study of the subject. When that study is completed and the results thereof embodied in a memorandum, we shall expect to send you a copy of the memorandum.

Sincerely yours,

The Honorable
Joseph C. Grew,
American Ambassador,
Tokyo.

FE:MMH:EJL

PA/H

EA

793.94/14818

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Confidential File

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 393.1163 Am 33/125 FOR tel # 186, 9 a.m.

FROM China (Chungking) (Peck) DATED Mar. 18, 1939.
TO NAME 1-1127 ***

REGARDING: Seven Japanese planes raided Chengchow on
Mar. 10; according to Central News Agency
report.

aa

793.94/ 14819

14819 -

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

LEE
FE

EG

PLAIN

Chungking via N. R.

Dated March 18, 1939

Rec'd 8:35 a.m.

Secretary of State,
Washington.

Note
793.94

186, March 18, 9 a.m.

Following telegram despatched from Chengchow
Honan under March 17th has been received by Embassy
from Dr. Sanford E. Ayers, an American citizen
associated with the Southern Baptist Mission:
"American Baptist Hospital bombed today twice six
casualties. Foreign controlled refugee camp bombed
heavy casualties. All foreigners Chengchow safe."

The Central News Agency carries a report under
Loyang headline dated seventeenth to effect that
seven Japanese planes raided Chengchow on seventeenth
at 10 a.m. dropping from sixty to seventy bombs.

Repeated to Peiping, Hankow, Shanghai. Shanghai
repeat to Tokyo.

PECK

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125

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 13, 1939.

~~WJB~~
 JWB *Concur*

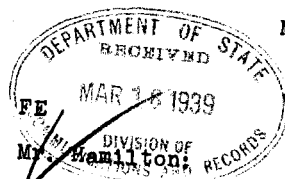
As the Shiunso, which is responsible for the attached letter "to the President", is a reactionary society composed of chauvinists, and as the letter is a printed "open" letter, and as nothing that could be said to the society would alter its views in any respect, I suggest that the letter be filed without acknowledgement and without being sent to Ambassador Grew for acknowledgement in his discretion.

A number of copies of the "letter" have been received in FE:Salisbury the Dept.

m. m. h.

756
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE
THE UNDERSECRETARY



March 13, 1939



For such acknowledgment as
you may consider necessary.

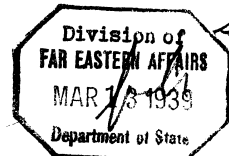
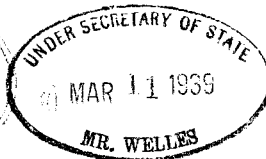
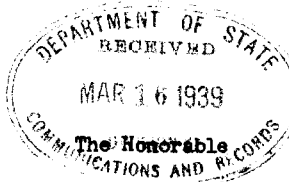
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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

Post Office Department
OFFICE OF THE CHIEF INSPECTOR
Washington

IN REPLY REFER TO:

March 10, 1939.



My dear Mr. Secretary:

Attention of Mr. Sumner Welles,
Under Secretary of State.

There is transmitted herewith for such attention as
you may deem advisable a communication entitled "An Open
Letter to the President of the United States" mailed by
The Shiun-So, Tokyo, Japan. The communication was submitted
to this Bureau by the postmaster at Fresno, California.

Very truly yours,

For the Postmaster General,

K.P. Aldrich
Chief Inspector.

Inclosure.

793.94/14820

793.94

MAR 16 1939

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14820

156
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

Post Office Department
OFFICE OF THE CHIEF INSPECTOR
Washington

March 10, 1939.

The Honorable

The Secretary of State.

My dear Mr. Secretary:

Attention of Mr. Sumner Welles,
Under Secretary of State.

There is transmitted herewith for such attention as
you may deem advisable a communication entitled "An Open
Letter to the President of the United States" mailed by
The Shiun-So, Tokyo, Japan. The communication was submitted
to this Bureau by the postmaster at Fresno, California.

Very truly yours,

For the Postmaster General,

(Signed) H. F. French

Chief Inspector.

Inclosure.

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

An Open Letter to the President of the United States

President Franklin D. Roosevelt:—

The people of Japan have paid comparatively greater respect to the United States than to other nations of the world.

It is firstly because Japan and the United States are friendly neighbors in trade with the least danger of conflict of interest, and secondly because the United States is a nation with great possibility of striving for the sake of justice from a comparatively fair standpoint, not acting on the motive of profits alone like Great Britain. The eager and sincere apologies expressed by the Japanese people to the United States at the time of the Panay incident were only the manifestation of this national sentiment.

But it is an undeniable fact that recently the Japanese people have come to entertain great doubt about the views and acts of Your Excellency, the representative of the United States.

Thus there has been spread throughout Japan a feeling that the United States is no longer a fair and just third Power, but an unfriendly nation that Japan must be on guard against, purposely insulting us and intentionally trying to hinder our activities. This we greatly regret in view of the friendly relations of the two countries.

President Roosevelt:—

Since 1937, you have repeatedly discussed the problem of the aggressor nations of the world. Leading the American public opinion you have delivered speeches on the isolation of aggressor nations.

Then the questions of defining aggressor nations, revising or abolishing the neutrality law, or applying the so-called economic sanctions against aggressors proposed by you have been frequently discussed. But we have to question your view concerning the point that your term of the so-called aggressors is always applied to Japan, Germany and Italy.

If you have a world map at hand, kindly open and examine it. Then it will become clear that there is no greater aggressor in the history of the world than Great Britain, whose territory covers one-fourth of the world, and it is also Great Britain who still maintains at present the result of the greatest invasion in history.

We also repeat here again that although the act of territorial invasion of Great Britain has been done in the past, the state of invasion is still maintained under the British military force and tyranny in India, Palestine, Africa and other places, as known to all.

Unless you ignore this plain and important fact proved by the world map, we believe your criticism on aggressor nations must first be directed to Great Britain.

Yet your attitude of questioning the three nations of Japan, Germany and Italy alone, without ever thinking of criticising Great Britain may be similar to the famous Biblical parable "Ye blind guides, that strain out the gnat, and swallow the camel." What is your opinion on this point, President Roosevelt?

President Roosevelt:—

You have been urging the solution of international problems by peaceful discussions, as though in concert with Premier Chamberlain of Great Britain.

Do you not recognize that Great Britain is not only closing to other nations the vast territory and surplus natural resources obtained as the result of her past invasions, but also is forming an economic block linking together all her colonies and rejecting the freedom of trade, and thus is greatly defying the world peace and the way of co-prosperity of all nations?

To say it more bluntly, do not you believe that the frequent disregard of the Kellogg Anti-War Pact, and the gradual fall of the collective security system are greatly due to the British principle of avaricious self-prosperity?

To consider the situation in the Orient, you who is so anxious to preserve the peace of the world will not fail to see that while Great Britain is closing the doors of her entire territory she is trying to colonize China, Japan's neighboring country, and thus repeatedly made anti-Japanese schemes, and that there lies the greatest cause for the present China Incident. Then your efforts for the world peace must first be directed to urge Great Britain to reconsider her avaricious self-prosperity principle.

If Great Britain does not voluntarily adopt a new policy of co-prosperity of all nations, then we believe that you should openly demand that this question of disposing of the vast territory and surplus resources of Great Britain be discussed by all impartial nations of the world for establishing a new order of the world. We wish to hear your views on this point.

Yet if you, even recognizing that the British avaricious self-prosperity principle is an evil that is greatly injuring the world peace, allow it to continue entirely on uncreative grounds of hard and fast rules regarding it only an internal question, and thus letting the evil root of inciting confrontation conflicts of Powers exist, continue efforts for the world peace with an attitude similar to that of trying to start construction works on rugged uneven grounds, your special endeavors will only have the United States criticised as being a watch dog for crafty Great Britain to enable her to maintain the unnatural present condition.

President Roosevelt:—

Your frequent utterances for the defense of democracy is naturally proper from the standpoint of the United States, but if your so-called defense of democracy includes also the British brand of democracy, we must express amazement at your disregard of realities.

The British brand of democracy, as you know, is the principle of exploiting the four hundred million peoples in the British territory extending all over the world under the military power and tyranny of only forty million British to enable the Englishmen at home to enjoy their aristocratic life at the sacrifice of those colonial natives, as pointed out by a certain American.

If you intend to defend the American democracy as well as this strange democracy of Great Britain, that will result in opposing the world peace and in defending the animal principle of the stronger feeding upon the weaker.

Great Britain who is self-styling herself as a democratic nation has spread before the world her hands that have been stained with the past invasions and tyranny to her present colonies, but yet she is trying to maintain her present condition by calling shamelessly other nations invaders. We imagine that she is same as a robber who is shouting "thief, thief" trying to make others believe that he is not a thief in order to escape from the pursuing policemen. Do you believe that by making the United States a compromise in making such a crafty criminal escape from law, you will defend the democracy of the United States and also glorifies her history?

President Roosevelt:—

Of late, desiring to give weight to her utterances on international questions, Great Britain is now intending to increase her armaments hurriedly, without feeling ashamed of her democratic banner. But armaments can never be perfected with money and materials alone.

Look at the tendency of the majority of the British public not to desire war. Also look at the condition of the British population, source of national strength, that is gradually declining. The population decline cannot be prevented with money and materials. On this point Dr. F. Burgdoerfer of the Statistical Bureau, Germany, said that the decline of birth rate is not a problem of economic value but a problem of spiritual value. This statement is worthy of note.

To speak more plainly, a nation that stands on falsehood and hypocrisy, however grand her naval review might be, however rich she may be, and however skilful she might be in the art of imposture in propaganda and diplomacy, her people will lose great courage and creative power, if she lacks the background of justice.

Therefore, the fate of the British people who utterly reject the policy of co-prosperity of all nations and continue to dance on top of a volcano will in the near future become extremely miserable, when the united rejection of the whole world of the British avaricious self-prosperity principle and the anti-British sentiments of the people of British colonies reach their peak points.

Thus we believe that for the President of the United States to urge the reflection of Great Britain is not only for the peace of the world, but also necessary for the rebirth of Great Britain. We desire to have your opinion on this point.

President Roosevelt:—

According to the reply to Japan concerning the question of open door in China, announced by the United States Government on December 31 last (the foolish note of the British Government to Japan dated January 15 is clearly in concert with the American note), the United States Government appears to have demanded that Japan should submit to a conference of Powers concerned the revision of the Nine-Power Treaty.

But according to what the Japanese people understand, all international conferences opened with Japan as their objectives such as the Washington Conference, London Conference and the sessions of the League of Nations are considered as the usual crafty method of Great Britain to oppress Japan with the force of overwhelming votes, for maintaining the unnatural present condition resulting from the past invasions of Great Britain, with the cooperation of the United States and France, and sometimes collecting small nations that cannot exist under hatred of England and France, as well as British colonies of South Africa, Australia, Canada and New Zealand and giving them one note each.

We desire to hear your view on this point, and do you desire that Japan will be always placed in a fate of putting herself in a net spread by England and binding herself?

President Roosevelt:—

If you really desire to contribute to the peace of the Orient and the peace of the world, it appears to us that by changing the policy you have been following in the past to the opposite direction, you will find the factor that will truthfully utilize the present international position of the United States for the world peace.

Firstly, the United States should lead other nations to prevent in the future all political intrigues of third nations in China leaving Japan aside, in view of past experiences.

Secondly, if Great Britain does not take speedily a new policy according to the principle of co-prosperity of all nations regarding her vast territory and surplus resources, the United States should give her best efforts to submit the disposal of the British territory and resources to a discussion by important

nations immediately, and to make Great Britain at least open her surplus resources and markets to others.

Thirdly, the United States should advise the Red Soviet to stop absolutely its Communistic policy, and if the Soviet does not listen, the United States should join at once the Japan-Germany-Italy anti-Comintern Pact.

The above three points may appear absurd, but when you will reject all past circumstances and sentiments, and ponder deeply from the standpoint of the rightful peace of the world, you will notice that they are very proper and sound proposals. Particularly in regard to the Red Soviet, the Comintern Annual Report issued at Moscow says that the activity of the Communist party in the United States has been very strong. Furthermore if you judge conditions in the United States, you will realize that it is a problem that deserves sincere attention.

If the United States consults Japan with the above mentioned three points as her fundamental policies, what pending problems will there be that cannot be solved?

At least the peace of the Orient will be instantly established, and Japan and China will proceed along the path of co-existence and co-prosperity. Consequently there will be no room for doubt that the scope of economic activities of other Powers in China will be expanded and particularly the interests of the United States in China will greatly increase.

President Roosevelt:—

The international rights and wrongs of today are very clear as above mentioned, but you have rejected the clear reason and guided the United States wrongly and forming a joint front with Great Britain who is a defendant before the world court gave helping loans to the Chiang Kai-shek regime that is not different in actuality from a Communist government, and furthermore, recently, forgetting the important responsible position of the United States irritated Japan with your strong and arrogant utterances. It is therefore quite natural that the relation between Japan, and the United States and Great Britain will become further strained at a rapid pace in the future.

Whatever retaliatory measures Japan may take against economic blockade the two nations might adopt against us as their last resort, we ask you to realize that the entire responsibility is in your attitude.

That will be what we do not desire most because of the past high respect we have paid the United States for so many years and also of our strong faith that there will be no war between Japan and the United States. But unless you speedily change your attitude, such development might come as unavoidable suffering for a new birth to welcome a new age of co-existence of all nations and co-prosperity of humanity, burying the evil modern age full of most pitiable utilitarian confrontation conflicts of human beings.

Not before Japan founded on Kodo—absolute truth of Universe—or the way of unselfish great love, freely accomplishes various creative great deeds with courage and efforts, and completely and fundamentally destroys the great evil illusion of the Modern people who calculate justice with quantities of materials, the paradise of Eden that humanity has lost since the time of Genesis will not be regained.

THE SHIUN-SO

January, 1939. No. 22, 2-chome, Uchisaiwai-cho, Kojimachi-ku, Tokyo, JAPAN.

(This statement was published in six leading vernacular newspapers in Japan)

0567

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

THE SHUN-SO

NO. 22, 2-CHOME, UCHISAIWAJ-CHO,

KOJIMACHIKU, TOKYO,

JAPAN

TEL. GINZA (97) 1888

Miss Georgia R. Welsh
1245 Fulton St.,
Fresno, Calif.,
U. S. A.

1561

DECLASSIFIED: E.O. 11652, 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

RECEIVED
DEPARTMENT OF STATE
Memorandum of Conversation

DIVISION OF FAR EASTERN AFFAIRS
1939 MAR 18 AM 10 30

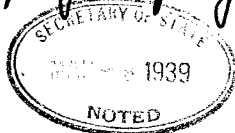
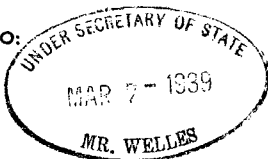
DATE: March 7, 1939.

SUBJECT: Situation in the Far East.

COMMUNICATIONS
AND RECORDS

PARTICIPANTS: Congressman Kent E. Keller of Illinois,
Mr. Hamilton.

COPIES TO:



894-24

Mr. Renchard of the Secretary's office brought
Congressman Keller to me with the statement that the
Congressmen had just seen the Secretary and that he (the
Congressman) was interested in talking to someone in
regard to the situation in the Far East.

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CONV. MAR 17 1939

Congressman Keller inquired whether I thought the
Chinese could win against Japan. I replied that there
were of course differing opinions on this subject among
qualified and intelligent observers; that observers such
as Lattimore and Peffer had rather consistently expressed
the view that Japan could not win; that other qualified
observers held a contrary view. I said that the circum-
stances of the absorption by China of its Mongol and
Manchu conquerors constituted in my opinion no adequate
basis

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- 2 -

CONFIDENTIAL

basis for deducing that China would absorb Japanese conquerors: I cited reasons. I said that my own personal view, which was not for quotation or attribution, was that it would be a mistake for anyone to base a policy on an assumption that the Chinese would be able by their own efforts to defeat the Japanese and that, while one could of course not be sure, it seemed to me that, were China and Japan left entirely alone and free from outside influences, the factors in favor of Japan were stronger than were the factors in favor of China. I said that one thing seemed clear, namely, that there was no present prospect of an end of the conflict and that it would probably continue for a number of years.

Congressman Keller asked what we could do toward assisting China and toward making Japan's task in China more difficult. I commented that decision in regard to measures directed toward those ends would seem to rest in large part with Congress.

There then ensued general discussion of the Far Eastern situation, in the course of which Congressman Keller evidenced especial interest in questions of military tactics and strategy. I therefore telephoned M.I.D. in the War Department and arranged for Major Betts to see Congressman Keller.

Congressman

057
DECLASSIFIED: E.O. 11652, 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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- 3 -

Congressman Keller said a number of times that what had been said would be treated by him as confidential and that he was interested in doing something by way of making Japan's task more difficult. He said that he was considering introducing a resolution embargoing the export to Japan of commodities such as oil, scrap iron, etc. When I asked what in his opinion the likely congressional reaction would be to such a measure, he said that he did not know but that public opinion throughout the country was ninety percent in favor of some such action. He said that he believed that Japan would be able, unless other powers made their influence felt, to conquer China and that thereafter Japanese aggression would move to new fields. He intimated his belief that if Japan should be successful in China, some day the United States would have to fight Japan and he said that he would rather take some action now directed toward making Japan's task difficult than to wait until Japan had completely consolidated its position in China.

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

15483

March 16 1939

CONFIDENTIAL - STAFF USE ONLY

No. 654

To the

American Chargé d'Affaires ad interim,
 Peiping.

The Secretary of State encloses for the confidential information of the American Chargé d'Affaires a copy of a memorandum of a conversation of March 7, 1939, between Representative Kent E. Keller and an officer of the Department in regard to the situation in the Far East.

793.94/14821

Enclosure:

Memorandum of conversation
 of March 7, 1939, between
 Representative Keller and
 Mr. Hamilton.

Copy to Chungking.

GR *✓*
 MAB 15 1939



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

March 10 1939

CONFIDENTIAL - STAFF USE ONLY

No. 1680

To the American Ambassador,
Tokyo.

The Secretary of State encloses for the confidential information of the American Ambassador a copy of a memorandum of a conversation of March 7, 1939, between Representative Kent E. Keller and an officer of the Department in regard to the situation in the Far East.

795.94/14821

Enclosure:

Memorandum of conversation
of March 7, 1939, between
Representative Keller and
Mr. Hamilton.

MAR 15 1939

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FE:ECC:HJN 3/14

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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

March 23, 1939

Hong Kong's despatch no. 398 of February 24, amplifying telegraphic reports, encloses press clippings on the bombing of Hong Kong border territory by Japanese planes. It also states that the first outburst of indignation in official Hong Kong quarters was suddenly moderated as a result---in the Consul General's opinion---of advice from London. The enclosures add no important information, but their marked sections are of mild interest if you have time to note them.

FE:Chase:HJN

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

No. 398

G
Southard MID-ONI

AMERICAN CONSULATE GENERAL

Hong Kong, February 24, 1939

SUBJECT: Bombing of Hong Kong Frontier by Japanese
Planes - Transmitting Local Newspaper Comment.

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON.

I have the honor to refer to the Consulate General's

telegrams Nos. 58 and 60 of February 21st and 22nd, respectively, in which were reported the main details of the bombing by Japanese war planes, on the morning of February 21st, 1939, of British territory near the Hong Kong-Kwangtung land frontier at Shumchun, with resulting damage to property and the death and wounding of various people.

This incident has inspired probably more lively discussion, both printed and oral, in Hong Kong than has any other incident of the Sino-Japanese hostilities during the past many months. Such discussion has not so far developed any details of first importance in addition to those which have already been reported by telegraph to the Department. However, it has provided some elaboration which the Department may wish to have on file and I accordingly enclose an article on the subject clipped from the SOUTH CHINA MORNING POST of February 23rd, 1939. This article has been chosen because I have been able to verify from first-hand

sources

ASSISTANT SECRETARY
OF STATE

MAR 27 1939

A-M/C

DEPARTMENT OF STATE

MAR 20 1939

AM 1 24

RECORDS

COMMUNICATIONS

RECORDS

CORRESPONDENCE
DIVISION OF
FAR EASTERN AFFAIRS
MAR 21 1939
Department of State

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

- 2 -

sources the general accuracy of its comments on the actual bombing and its results, and because it also gives additional information about the dropping of propaganda leaflets by the Japanese planes and about the severe censorship exercised by the local Government on reports of the bombing published in the Hong Kong Chinese papers.

There is also enclosed as representative of the more intelligent editorial comment on the frontier bombing incident a further clipping, entitled "Border Incident", also from the SOUTH CHINA MORNING POST of February 23rd, 1939.

Hong Kong is on this date awaiting with great interest official details of the British protest to Tokyo and of the reply, if any, which the Japanese may make to such protest. On the day of the bombing and on the day afterward I heard a great deal of indignant and otherwise forceful comment in authoritative sources. During the next two days that comment has suddenly become much milder and less decisive in nature, and I am accordingly much inclined to the opinion that the change has been influenced by official intimations from London based on considerations of policy. At any rate there has been a somewhat extraordinarily sudden moderation in the at first quite evident indignation of local civil, military and naval officials. Some of them now appear inclined to let it be known that they are not sure that there were three Japanese planes in the raid over the frontier, (notwithstanding statement to that effect by many reputable eye witness of the event) and

opine

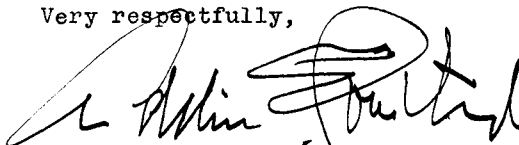
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Department of State letter, August 10, 1972
By Milton D. Quisenberry NARS, Date 12-18-75

- 3 -

opine that possibly only one plane accidentally crossed the frontier as alleged by Japanese consular officials in Canton and Hong Kong!

A highly placed and quite reliable British official in this Colony confidentially informed me, in discussing this bombing incident, that there was a definite promise from the Japanese, obtained at or about the time of the frontier operations in November last of which report was made by this office to the Department, that they would give forty-eight hours notice to the appropriate authorities in this Colony of any intended military operations on the frontier. No such notice was, he said, received of the foray of February twenty-first.

Very respectfully,



Addison E. Southard
American Consul General

Enclosures:

1. Clipping from the SOUTH CHINA MORNING POST of February 23, 1939.
2. Editorial from the SOUTH CHINA MORNING POST of February 23, 1939, entitled "Border Incident".

800
AES:em

Distribution:

In quintuplicate to the Department;
Copy to Embassy, Chungking;
Copy to Embassy, Tokyo.

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

Enclosure No. 1 to despatch No. 398 dated February 24, 1939, from Addison E. Southard, American Consul General at Hong Kong, on subject of "Bombing of Hong Kong Frontier by Japanese Planes - Transmitting Local Newspaper Comment".

SOUTH CHINA MORNING POST

February 23, 1939.

BORDER BOMBING RAID

GOVERNOR SENDS FULL REPORTS TO SECRETARY FOR COLONIES

JAPANESE ARMY REGRETS "BOMB"

The deaths of three Chinese in the Kwong Wah Hospital yesterday brings the list of dead in British Territory as a result of the border bombing at Lowu on Tuesday to 15. Until an official list is compiled, it is impossible to say whether they received their injuries at Shumchun or Lowu, but those known to have been killed in British territory are an Indian policeman, five Chinese men, two Chinese women and four Chinese children.

Dr. P. S. Selwyn-Clarke, Director of Medical Services, said that an accurate list of wounded had not yet been compiled but at least nine of the many wounded received their injuries in British territory.

Mr. T. Oda, Consul for Japan, called on Hon. Mr. N. L. Smith, Colonial Secretary, on Tuesday and had a conversation, as a result of which he transmitted a report to Tokyo on the incident.

Full reports prepared by the Governor have been sent to the Secretary of State for the Colonies and Mr. A. W. Blunt, British Consul-General in Canton.

Yesterday was quiet at Shumchun and Lowu, very few refugees remaining to be transported to British camps where, owing to past experience, relief organisation is again in full swing.

The last refugees arrived in Fanling at 1 a.m. yesterday, making about 3,000 in North and South Camps, Fanling, and in Gill's Cutting, where 30 railway trucks were hastily placed yesterday as a base for a further camp. Kam Tin Camp, which has never been closed, is now accommodating 2,600.

A temporary shelter is being put up on Namkanto Road, between Sheung Shui and the bridge, where stragglers will be taken in. A number of refugees spent the night in the open, but kitchens are being started to provide hot food for them.

Official Report

An Army authority yesterday stated that no reinforcing measures were being taken by the military at the frontier and no anti-aircraft guns were being positioned with orders to use them if necessary.

The manoeuvres of Japanese aeroplanes over British territory were confirmed by this official, who said three planes circled over British territory returning to attack the Customs Station, two of the three participating in this attack while the other went over towards Lowu Camp and dropped bombs. One of the two planes attacking the Customs Station machine-gunned Lowu Station and then apparently noticing the train further down the line, went after that.

After machine-gunning the train, this aeroplane circled round it once and repeated the attack before returning to Chinese territory.

It is thought that at Shum Chun Market, about half a mile from Lowu, 80 were killed and more injured, though the recovery of bodies from the debris of shattered houses makes a final compilation of the toll impossible.

The attack on the city was entirely unopposed, nor were guns used to defend the Customs Station. Customs officers were recently disarmed by order of their head office.

Pamphlets Dropped

Pamphlets scattered between Hongkong and the East River contain a number of demands to the Chinese from the Japanese authorities in South China. These were presented originally on the disappearance of a Japanese-appointed Magistrate in Namtau, when the Elders were ordered to appoint a new Chief Magistrate and comply with the following demands:

1.—All existing magistrates of hsien will immediately resign unless they have notified the Japanese authorities that they are prepared to re-form their administrations in conformity with the Japanese demands.

2.—Village elders will immediately appoint delegates, who will proceed to the Japanese headquarters at Taijing in order to inform the Japanese authorities that instructions for the appointment of new magistrates have been carried out. The new magistrates will be required to report periodically to the Japanese authorities that all anti-Japanese activities have ceased in their districts

and that sympathies with the Chungking regime have been totally suppressed.

3.—Newly appointed magistrates and the village elders will be jointly held responsible for anti-Japanese activities in their areas.

4.—Failing compliance with these demands before Friday, February 24, cities and villages in recalcitrant hsien will be ruthlessly bombed.

Chinese Press Censored

An interesting example of the censorship of the Chinese press in Hongkong was revealed yesterday when the *Leunhokan* was published with several blank spaces. This was a result of the censor lifting from the report of the border incident all reference to violation of British territory and the fact that the Governor was a witness of the attack.

The *Leunhokan* is jointly published by the Chinese Newspaper Owners' Association while the regular journals are being suspended over the Chinese New Year holidays.

These journals resume publication to-day when, it is learned, the original reports will be allowed to go through.

From the Secretary for Chinese Affairs it was learned yesterday that the Chief Censor had apparently exceeded his powers in suppressing the original report, acting from a desire not to cause alarm to the populace.

As censored, the reports indicated that British protests would be made against the attack on Shum Chun, which is in Chinese territory.

Objection was voiced through Hon. Mr. M. K. Lo and Chinese members of the Legislative Council in 1936 at the suppression of news in the Chinese press by the censors, who were instructed to use their powers only to delete:

- (a) anything subversive to the British Empire;
- (b) anything likely to damage Hongkong's relation with friendly Powers;
- (c) communistic doctrine;
- (d) matter likely to incite breaches of peace and good order in Hongkong;
- (e) indecent matter in contravention of Ordinance No. 15 of 1914.

DECLASSIFIED: E.O. 11652, 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. 398 dated February 24, 1939, from Addison E. Southard, American Consul General at Hong Kong, on subject of "Bombing of Hong Kong Frontier by Japanese Planes - Transmitting Local Newspaper Comment".

SOUTH CHINA MORNING POST

February 23, 1939.

Border Incident

The Japanese bombing on the Hongkong border has aroused great indignation and some contempt. There is reason to believe that among Japanese civilians, at least, it is sincerely deplored, for its errors if not for its viciousness. Reactions are, of course, very mixed. There is always a tendency to regard such incidents objectively and evaluate them in relation to international politics. The primary consideration must be humane. Civilians, men, women and children have been terrified, mutilated and killed. A Hongkong police officer, not interested in the war, has lost his life on service. The damage and the suffering have been inflicted upon the victims gratuitously. The military necessity plea cannot repair the injury: nor can it possibly excuse the obvious incompetence. Visibility was excellent and the raiding planes flew low. Geography is, or should be, part of the equipment of the competent aviator. This sort of error has been perpetrated too frequently and Japanese apologies arouse cynicism rather than assuage the resentment.

There is a suspicion that the outrage was Japan's contribution to the Rome-Berlin-Tokyo plan of compensating nuisance tactics, designed to alarm the other Powers and prevent them from concentrating their forces. This suspicion, however, collides with the cold logic of realities. Though the Japanese authorities have deliberately created incidents before, it is difficult to see what they could hope to achieve by such a trespass as this. The accident theory also is ruled out by the impossibility of error in topography so clearly identifiable: the river is broad enough for easy recognition, the landmarks plain and the maps very old. It must, moreover, have been known to the Japanese that trains would not be running in Chinese territory: the train that was bombed was nearly two miles from the border. Furthermore, the December incidents must have cleared away any

genuine uncertainties that existed. The verdict must accordingly be that the incursion was deliberate. The blame, however, would appear to belong to some irresponsible naval or military officer rather than to his government.

The incident and the embarrassment of the Japanese Government are part of the penalties for the method adopted in the attempt to conquer China. The war has almost ceased to be a military struggle. The Japanese troops are checked everywhere that matters, and there are no longer Chinese key points the destruction of which might end the resistance. There is no longer much talk of the Japanese driving into western China, either in north or south. Instead they are perseveringly trying to complete the domination of China without fighting, and the war has entered a "pacification" or police phase. This requires the setting up of puppets in as many areas as possible—a slow and difficult business, handicapped by the efficient Chinese murder methods. Districts behind the Japanese lines are to be terrorised into accepting Japanese rule, and this is being done by air bombings—which also conceal the fact that the first line Japanese troops have been transferred from coastal areas to Hainan, Manchuria and other places where they are, or will be, more required. This would appear to be the explanation of the harassing of the villagers near Hongkong. If so, then there will be more incidents, more killings and continuous driving of refugees into this Colony for shelter and maintenance. It is therefore necessary to regard the affair most seriously, to protest strongly and demand compensation. The Colony has the inalienable right to demand, at least, that its inhabitants shall not be fired upon in their own territory. Previous assurances having been proved worthless, it is not too much to insist upon the establishment of a neutral zone.

7519
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

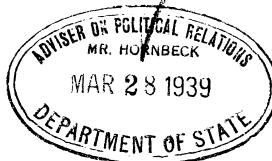
DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 25, 1939. *PAN*

~~JMB:~~
~~MMH:~~

Tokyo's despatch No. 3710 of February 28, 1939, encloses a copy of a note from the British Ambassador to the Japanese Foreign Minister in which a strong protest is made against an attack from a Japanese vessel on the British air liner Delia when the latter was flying along a regular Imperial Airways route near Weichow Island. Great Britain again states that it cannot admit the right of the Japanese forces or Government to make deliberate attacks on civilian aircraft nor to exclude civilian aircraft from certain areas and to attack them if they enter those areas.



FE:Salisbury:REK

058

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



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

LEGAL ADVISER
MAR 28 1939

DEPARTMENT OF STATE
AMERICAN EMBASSY

No. 3710

Tokyo, February 28, 1939

SUBJECT: FOREIGN AVIATION IN CHINA: BRITISH
REPRESENTATIONS.

793.94

RECEIVED
MAR 27 1939
DEPARTMENT OF STATE

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RECEIVED
DEPARTMENT OF STATE
MAR 22 1939

COPIES SENT TO
ONE AND MORE

Division of
FAR EASTERN AFFAIRS
MAR 21 1939
Department of State
Copy in FE
by B

793.94/14823

The Honorable

The Secretary of State

Washington

Sir:

ADVISER ON POLITICAL RELATIONS
MR. HORNBECK
MAR 28 1939
DEPARTMENT OF STATE

I have the honor to transmit herewith copy of
1/ a note dated February 27, 1939, from the British
Ambassador to the Minister for Foreign Affairs pro-
testing, in the strongest terms, an attack made on
the British air-liner Delia from a Japanese vessel

near

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MAR 29 1939

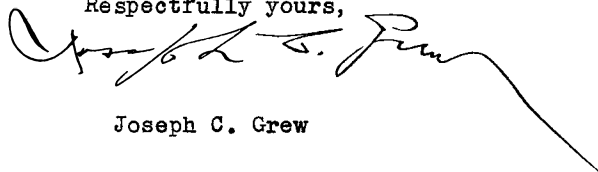
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 Department of State letter, August 10, 1972
 By Milton D. Quisenberry NARS, Date 12-18-75

- 2 -

near Weichow Island.

Respectfully yours,



Joseph C. Grew

✓
 Enclosure:
 as stated

710
 ESC:wr

Copy to Embassy, Chungking
 Copy to Embassy, Peiping
 Copy to Consulate General, Hongkong

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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. 3710 of February 28, 1939
 from the Embassy at Tokyo

(With the compliments of the British Embassy to the
 American Ambassador, Mr. Grew, February 27, 1939)

The British Ambassador, Sir Robert Craigie, to the
 Minister for Foreign Affairs, Mr. Arita.

No. 46 (19/72V/39).

British Embassy,
 Tokyo.

27th February 1939.

Your Excellency,

On January 25th the Japanese Consul-General in
 Canton notified the Consular body there that the
 Japanese authorities intended to shoot down any
 aeroplane which flies over China at night unless
 the flights, times and course are previously noti-
 fied, when such flights should not exceed the height
 of 500 metres. On February 2nd the Japanese Consul-
 General notified the Consular body very urgently
 that the above notification applies in full to a
 radius of 15 nautical miles from Weichow Island in
 the Gulf of Tongking for Third Power aircraft by
 day and night. His Majesty's Consul-General in
 Canton protested immediately in writing against these
 orders.

2. I now have the honour to inform Your Excellency,

under

His Excellency,

Mr. Hachiro Arita,

His Imperial Japanese Majesty's
 Minister for Foreign Affairs

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

- 2 -

under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, that His Majesty's Government in the United Kingdom cannot admit the right of the Japanese forces or Government (whether the present hostilities are regarded by the Japanese Government as a state of war or not) to make deliberate attacks on civilian aircraft except in quite exceptional circumstances (e.g. refusal to obey a clear and lawful order to land). In the absence of a declared state of war His Majesty's Government cannot agree to the exercise by Japan of a right to exclude civilian aircraft from certain areas and to attack them if they enter those areas. In these circumstances His Majesty's Government do not admit the right of any Japanese authority to prevent British aircraft proceeding about their lawful occasions.

3. The British authorities have done much to co-operate for the prevention of mistakes arising from the difficulties experienced by the Japanese forces in distinguishing British air-liners from hostile Chinese aircraft. Details of the time-tables are regularly communicated to the Japanese Consul-General at Hongkong and the Japanese Naval Attaché at Shanghai

by

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 -

by Imperial Airways and I had the honour to inform His Excellency the Vice-Minister for Foreign Affairs of an alteration in the flying schedule as recently as February 7th. While these measures have been taken by the British authorities with the object of preventing difficulties from arising, they have done so subject to the reservation that the onus of identifying enemy aircraft before hostile action is taken rests with the Japanese forces concerned. This responsibility will remain even if aeroplanes in which British interests are concerned should fly within the areas from time to time designated as areas of hostilities by the Japanese authorities concerned.

4. In this connexion I have to protest, under instructions from His Majesty's Principal Secretary of State for Foreign Affairs, in the strongest terms against the attack on the air-liner Delia made from a Japanese vessel half a mile north west of Weichow Island. The aircraft was flying on the normal route from Hongkong to Hanoi at 1,000 feet. The route has been used for the last few months, and the Japanese authorities are kept informed of the route and timetable followed by Imperial Airways services, so the vessel which fired at the Delia should not have been ignorant of her identity. Under the circumstances the

attack

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

- 4 -

attack can only have been the result of the omission of the Japanese authorities to keep their war vessels informed of the movements of the civilian aircraft of Third Powers or a deliberate attempt to interfere with the passenger services of Imperial Airways. I therefore have the honour to request that Your Excellency will be good enough to take the necessary steps to bring the views of His Majesty's Government in this matter to the knowledge of the Japanese authorities concerned, and to ensure that due account is taken of these views.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

(sgd) R. L. CRAIGIE.

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 24, 1939.

~~JWE~~

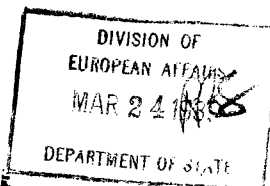
Tokyo's despatch no. 3716 of March 1, 1939, reports the conclusion of the affair of the bombing on February 21 of Hong Kong Territory by Japanese planes. No action is necessary and the information contained in the despatch has already appeared in the press.

FE:Sa *[Signature]*

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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
DEPARTMENT OF STATE
UNITED STATES OF AMERICA



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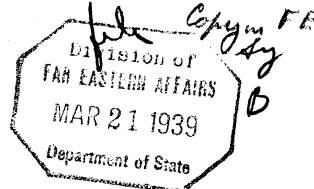
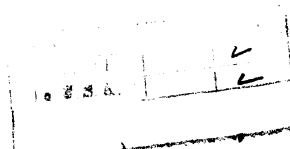
AMERICAN EMBASSY

DIVISION OF Tokyo, March 1, 1939.
COMMUNICATIONS
AND RECORDS

No. 3716.

SUBJECT: BOMBING OF HONG KONG TERRITORY BY JAPANESE
PLANES ON FEBRUARY 21, 1939.

793.94



793.94/14824

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to refer to telegram No. 58 of
February 21, 11 a.m., from the American Consul General
at Hong Kong reporting the bombing that day by Japanese
planes of Hong Kong territory near the Chinese frontier
at Shumchun. There are enclosed in this connection a
1/ copy of a note, No. 41 of February 21, 1939, from the British
Ambassador to the Minister for Foreign Affairs protesting
2/ the bombing, a copy of a paraphrase of a telegram received
by the British Ambassador from the Governor General of

Hong Kong

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

-2-

- 3/ Hong Kong giving the particulars of the incident and a copy of a memorandum presented by the British Ambassador to the Vice Minister for Foreign Affairs on February 28, 1939, regarding the settlement of the incident.

Reports of the bombing appeared in the local press in Japan and a statement was released by the War Department regarding the incident. The announcement described the bombing as an accident which occurred while the Japanese Army planes were carrying out air raids along the Chinese border at Shumchun when one pilot mistook Hong Kong territory for Chinese territory and dropped two bombs on a railroad train there. At the same time, it was stated that regrets had been expressed to the British authorities in Hong Kong over the bombing and violation by Japanese planes of British territory.

As reported in my telegram 106 of February 23, 7 p.m., the British Ambassador informed me that he had received that day from the Foreign Minister an expression of regret on the part of the Japanese Government for the bombing, an undertaking to pay indemnification for the loss of life and for the property damage, and assurances that after strict investigation disciplinary action would be taken against those who committed the mistake and that appropriate measures would be devised to prevent the recurrence of such incidents in British territory.

The memorandum presented by my British colleague to the Japanese Government on February 28, 1939, concludes with the statement that the British Government regard the incident

as

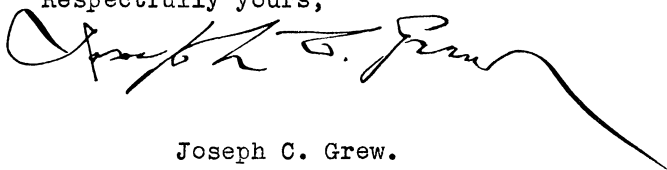
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

-3-


as having been settled on these terms.

Respectfully yours,



Joseph C. Grew.

350
JE:C

Enclosure: 
1/2/3 As stated above.

Copy to Consulate General, Hong Kong.

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

Enclosure no. 1 to despatch
no. 3716 of March 1, 1939
from the Embassy at Tokyo

(With the compliments of the British Embassy to the
American Ambassador, Mr. Grew, February 21, 1939)

The British Ambassador, Sir Robert Craigie, to the
Minister for Foreign Affairs, Mr. Hachiro Arita.

British Embassy,

No. 41 (4/72V(1)/39).

Tokyo.

IMMEDIATE

Your Excellency,

I have been informed by the Governor of Hong-
kong that Japanese aeroplanes, in the course of
bombing operations this morning on the border of
Hongkong territory, dropped several bombs on rail-
way trains well within British territory, in such
a manner as to suggest that the object of their
attack was Shamchun Railway Bridge, which is within
the borders of the Colony.

2. Pending the receipt of any instructions which
I may receive from His Majesty's Government in the
United Kingdom, I have the honour to bring this in-
formation to Your Excellency's urgent attention, and
to enter a strong protest against this attack on
British territory.

I avail myself of this opportunity to renew to
Your Excellency the assurance of my highest consideration.

(sgd) R. L. CRAIGIE.

His Excellency
Mr. Hachiro Arita,
His Imperial Japanese Majesty's
Minister for Foreign Affairs.

DECLASSIFIED: E.O. 11652, 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. 3716 of March 1, 1939
 from the Embassy at Tokyo

(With the compliments of the British Embassy to the
 American Ambassador, Mr. Grew, February 22, 1939)

COPY. Left with Mr. Kishi, February 22nd.

Extract from Telegram received from
 Governor of Hongkong, February 22nd, 1939.

On February 21st at about 9.55 hours nine Japanese twin-engined bombers, flying from the direction of west by north, bombed Shamohunhu in Chinese territory; they then circled round over British territory. One flight of three planes then bombed the Customs beyond, about 300 yards inside Chinese territory. The attack was made from the south, the machines thus crossing British territory in the run up. Six bombs were dropped on the Customs station.

Another flight attacked the British railway station; about 200 yards inside the frontier, from the south west. This attack was made by two machines only. Four bombs were dropped inside British territory. Both machines were attacking at not more than 500 feet. The casualties in British territory from this bombing were, as far as can be ascertained at present, one Sikh policeman and six Chinese killed, wounded not known. One of these two machines circled again and opened machine-gun fire on British railway station, killing as far as is known two Chinese.

The third machine of this flight detached itself and diving over Lo Wu camp attacked a train
 standing

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

- 2 -

standing on the railway at about Lo Wu Brick Works, a mile inside British territory. Two attacks were made, one bomb being dropped each time. The bombs fell on the embankment and caused considerable damage to the train. This train was running on normal schedule.

All attacks made in British territory were from a height of not more than 500 feet and were observed by officers of 2nd Battalion Royal Scots in Lo Wu camp, which is one mile from British railway station and 500 yards from the railway embankment on which the train was standing.

Attacks were inexcusable as nowhere is the frontier more clearly defined than in this sector. The frontier itself is Sham Chun river, the railway crossed it by a bridge, and there is a clear line of hills on the British side, while the Chinese side is flat. Lo Wu tented camp occupied by a Battalion at training is most conspicuous and visibility at the time was excellent. Flying at height they were there should have been no possibility of the pilots mistaking their whereabouts.

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

Enclosure no. ³ to despatch
 no. 3716 of *Much* 1, 1939
 from the Embassy at Tokyo

(With the compliments of the British Embassy to the
 American Ambassador, Mr. Grew, February 28, 1939)

Copy of memorandum handed to the Vice Minister for
 Foreign Affairs, Mr. Sawada, by the British Ambassa-
 dor, Sir Robert Craigie, on February 28, 1939.

The following statement was made in the House
 of Commons yesterday:

On February 21st a number of Japanese aeroplanes
 engaged in mopping up operations flew at a low alti-
 tude over the border of British leased territory near
 Shamchun and dropped several bombs, killing one Sikh
 policeman and eight Chinese, and causing considerable
 damage to a train. Machine gun fire was also opened
 on the British railway station and two Chinese were
 killed. The total number of wounded is not at present
 known.

On the same day His Majesty's Consul-General at
 Canton was informed by his Japanese Colleague of the
 readiness of the Japanese military authorities to
 tender their apologies and to make amends. His
 Majesty's Ambassador at Tokyo protested to the Japan-
 ese Government, who have now replied expressing their
 profound regret that such an incident should have
 occurred and assuring the Ambassador that after a
 strict investigation disciplinary action would be
 taken against those who committed this serious mistake
 and that appropriate measures would be devised to pre-
 vent the recurrence of incidents of this kind. The

Japanese

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

- 2 -

Japanese Government also indicated its intention to arrange through direct negotiation between British and Japanese authorities on the spot for payment of damages and other matters. On instructions from my noble friend, Sir Robert Craigie has informed the Japanese Government that His Majesty's Government regard the incident as having been settled on these terms.

British Embassy, Tokyo.

28th February 1939.

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

TELEGRAM RECEIVED

113
LEGAL ADVISER
MAR 23 1939
DEPARTMENT OF STATE
Fe
ke

JR ^{opo}

FROM

GRAY

Foochow via N. R.

Dated March 21, 1939

Rec'd 10:13 a.m.

Secretary of State,

Washington.

March 21, 6 p.m.

Four Japanese airplanes made two raids on Foochow

this afternoon dropping about dozen bombs several of
them near the Socony installation. No casualties or
damage to American property.

ROWE

CSB

193-94
Division of
FAR EASTERN AFFAIRS
MAR 21 1939
Department of State
B
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Department of State letter, August 10, 1972
By Milton D. Huey NARS, Date 12-18-75

TELEGRAM RECEIVED

FROM

EDA

GRAY AND PLAIN

HANKOW VIA N.R.

Dated March 21, 1939

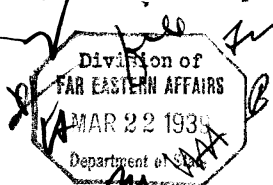
Received 7:09 p.m.

COPIES SENT TO
O.N.I. AND W.L.D.

Secretary of State

Washington

March 21, noon.



I have not (repeat not) been able to obtain confirma-
tion of press reports of Kuling bombings referred to in
Chungking's 190, March 18, 11 a.m. /14810

Sent to Chungking, repeated to Peiping, Shanghai.
Peiping please repeat to Tokyo.

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ROW:NPL

793.94/14826

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RECEIVED
MAR 22 1939

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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/132 FOR #-

FROM Canton (Myers) DATED Feb 10, 1939
TO NAME 1-1127 ***

REGARDING: Sino-Japanese situation: developments, in summary, for the
month of Jan., 1939.

793.94 / 14827

FRG.

14827

DECLASSIFIED: E.O. 11652, 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
B. Relations with Other Countries:

1. Japan.

(a) Military Operations in Kwangtung:

During January Japanese military forces in Kwangtung continued to maintain headquarters at Canton. No information

- 4 -

tion of importance concerning their activities was divulged by the military, naval or consular authorities, but it is believed that they were engaged principally in operations designed to consolidate their position in and around Canton, to clear Pearl River delta areas of Chinese guerrilla and bandit units and to bomb Chinese troop concentrations in the West and North River areas. In the fighting to the north of Canton, the Japanese were reported to have occupied Huahsien (Fayuen, 花縣) and to have reached, if they have not occupied, Tsungfa (從化). They retained control of the Canton-Kowloon railway from Canton to Sheklung (石龍), and made sufficient repairs to this section of the line to permit its use for military purposes. The area to the south and east of Sheklung, from which Japanese forces were withdrawn late in 1938, was comparatively peaceful notwithstanding the reoccupation of certain villages by Chinese regular and guerrilla units. The largest concentration of Chinese troops is reported to be at Cheung Luk Tou (樟木頭) where about 15,000 soldiers of the 157th Division are quartered. It is also reported that a certain amount of barter traffic with the Japanese is being conducted by Chinese along the east coast, notably at Seabue (汕尾), contraband wolfram ore being exchanged for kerosene (allegedly American and British) and other commodities.

(b) Japanese Aerial Activities in South China:

During January, Japanese military and naval aircraft raided extensive areas of South China, Canton airfields and naval vessels off Pakhoi being the chief bases for these operations. Raids were almost daily occurrences.

(c) Kuensai's

- 5 -

(c) Kwangsi's Fear of Invasion via the Pakhoi (北碚)
Area:

Reports were current at various times during the month to the effect that Japanese naval vessels were concentrated in the Gulf of Tongking and that in anticipation of an invasion of Kwangsi through the Pakhoi area, roads and bridges leading to the interior were destroyed by the Chinese. Similarly roads and bridges leading to the interior from Yeungking were destroyed and it was reported that in the Chungshan district the only good road remaining was the one from Shekki (石岐) to Macao. At the end of the month the Japanese Consul General stated that Weichow Island in the Gulf of Tongking was under Japanese military occupation and requested that the aircrafts of Third Powers should refrain from flying within a radius of fifteen nautical miles of that island.

(d) Formosan Administrator Visits Canton:

A Japanese news despatch reports that Mr. Jiro Morioka, Chief Administrator of Formosa (Taiwan) arrived in Canton by air from Fukuoka on January 11, 1939.

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



G-2 Digest of Information
 Sino Japanese Situation
 February 24 - March 10, 1939

DIVISION OF
 FAR EASTERN AFFAIRS

MAR 10 1939
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1. MILITARY OPERATIONS.

a. On February 26 it became apparent that Japanese pressure was developing in the Han River bend to the west of Hankow. Advancing steadily the Japanese troops have cleaned out the bend as far north as the line Tsao-shih--Anlu. Thereafter Chinese resistance apparently stiffened and severe fighting is in progress. To date apparently no serious attempt has been made to cross the Han in this region. Some Japanese pressure has also developed in the direction Ying-shan--Hsiangyang. The Chinese estimate the Japanese force in the Anlu area as one division, which would appear reasonable. The force to the north is believed to be no stronger than a reinforced brigade. Between the Han and Ichang, the Chinese have two corps, aggregating about 20,000 men, scantily supplied with artillery. In the Hsiangyang area is a great mass of Chinese troops, who have been passive since their evacuation of the Hankow area in October. It is probable that some of these troops are participating in the Anlu fighting.

Comment. This operation would seem to be preliminary to a projected Japanese advance on Ichang, in cooperation with a river expedition up the Yangtze. Such an undertaking would achieve the following:

- (1) Bring the Chungking area into easy aerial bombing range.
- (2) Achieve control of the Yangtze up to the gorges.
- (3) Cut the Honan-Hunan overland transportation route at Shasi.
- (4) Probably result in the capture of much industrial equipment in the Ichang area believed to be waiting transportation west.

Of the above, consideration (1) is believed to be the most important.

The opinion has also been advanced that the Anlu operation is a prelude to participation by the Japanese Central China Army in a vast converging advance on Sian. In view of the limited forces available in the Hunan area for this purpose, estimated at four divisions, such an undertaking appears improbable. More certain results with less use of manpower could be obtained by an offensive localized to the north.

b. The Japanese have launched mopping-up operations in northeast Kiangsu. An advance along the Lunghai Railroad to Haichow has been followed by a sweep northward in the zone north of the old bed of the Yellow

793.94/14328

MAR 22 1939

FILED

F/G 4428

DECLASSIFIED
 E.O. 11652, Sec. 3(E) and 5(D) or (E)
 CONFIDENTIAL
 OSD letter, May 3, 1972
 By May 19 NARS Date 1973

CONFIDENTIAL

River and between the Grand Canal and the sea. Reports indicate that rain and mud have slowed down the operation almost to a standstill.

c. The Japanese have completed their mop-up in south and central Hopei, without any large-scale engagements. They are now settling about the occupation of the area on at least a semi-permanent basis. The Chinese admit that Japanese garrisons now hold 90% of the hsien cities (county seats) in the province. To date no important guerrilla reactions have occurred in this area.

Comment. This development, marking the first Japanese effort to garrison non-tactical areas, is regarded as most important. It should furnish a clear cut test of the strength and vitality of the Chinese guerrilla movement.

2. MISCELLANEOUS.

a. On March 2 a terrific explosion occurred in a munitions plant at Hiratake, near Osaka, Japan. Some 800 persons were killed and hundreds of houses destroyed. Subsequently it was officially stated that the explosion was accidental in origin and that the loss and damage sustained would not affect military operations in China.

b. On February 24 Manchoukuo officially signed the protocol of adherence to the anti-Comintern pact.

c. In Shanghai a lull supervened in the tense relationship existing between the Japanese and the settlement authorities concerning policing and the repression of terrorism. This was aided by a subsidence in actual terrorist activities. The Municipal Council's reply to the original Japanese demands was inconclusive and on February 28 the Japanese made an equally vague response which, however, seemed to close the matter for the time being. On March 2, however, the Japanese Consul General called on the Chairman of the Municipal Council to sign a memorandum of understandings in the matter, and this is still a subject of deliberation. Meanwhile the Japanese are being accorded a greater participation in the Municipal Police Force and are steadily seeking to widen the authority exercised in the police sphere by their armed forces. Informed opinion holds that further difficulties and friction impend in this connection.

d. On March 2 the Peiping Provisional Government announced that, effective March 10, major exports from Tientsin would be permitted only when evidence was presented that the foreign exchange resulting from the transactions had been converted into Federal Reserve Bank currency. The objectives of such a measure are obviously threefold, namely:

- (1) To place a certain amount of foreign exchange under Japanese control.

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

- (2) To permit manipulation of commerce and exchange to the advantage of Japanese enterprise.
- (3) To beat down the value and circulation of Central Government notes in North China by excluding them from the exchange market.

The premium enjoyed by the Central Government notes over those of the Federal Reserve Bank has been based on the facts that they formed the basis of the North China foreign exchange system and that they possessed a wider popular currency. The measure described above strikes directly at the strength of the Yuan in the foreign exchange market. The Yuan's general circulation has been under steady, if unsuccessful, attack by regulation and official depreciation throughout the war. It has been reported that National Government currency will be outlawed as a medium of exchange effective March 10 in the area controlled by the Provisional Government, but it is still uncertain as to whether this measure will be enforced totally or partially.

Comment. The exchange control measure will, it is believed, result in further stagnation of foreign business in North China. Any other results are believed to be doubtful.

e. The British Government announced on March 8 that it was guaranteeing the British 50 per cent of a £10,000,000 stabilization fund for Chinese Government currency, the other half of which was to be subscribed by Chinese financial institutions. The Hongkong Shanghai Bank and the Chartered Bank of India were designated as the active British agencies and initial financiers in the administration of this fund. While the credit was said officially to be for the general bolstering of the Yuan, unofficial comment was made that it might be specifically applied in the North China area where the Yuan was under greatest pressure. No strong Japanese official or public reaction to this move has developed as yet, but it will undoubtedly occur in the near future.

Comment. This is the first known British Government credit extended to China since the outbreak of the war and, of course, it parallels the American \$25,000,000 credit of last December. While the fund can readily be used to bolster Chinese currency on the world market, it is not seen how it can be applied specifically to the North China situation. It is quite possible to aid the Chinese money market by using the fund to finance both general trade and the shipment of war materials, and expert opinion tends to believe that it is in this sphere that the credit will find its main employment.

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

TELEGRAM RECEIVED

EDA

GRAY

TSINANFU VIA TSINGTAO
& N.R.

Dated March 20, 1939

Received 7:30 a.m., 23rd.

FROM

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

Secretary of State

Washington

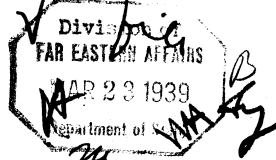
13, March 20, 4 p.m.

My telegram No. 12, March 15, 5 p.m.

One. Units of 8th Route Army which recently entered Shantung are reported to be advancing toward Tsinanfu. One section is said to have reached the vicinity of Faicheng 33 miles south of Tsinanfu while another column believed to number several thousand is reliably reported to be on the outskirts of Tsiho 13 miles west of here.

Two. While the garrisoning of towns recently occupied has reduced the Japanese military forces in Tsinanfu it is not believed that the 8th Route Army will risk an attack on this city except possibly in collaboration with other Chinese forces of considerable strength. Yu Hsueh Chung's movements are unknown but it is conceivable that his three divisions, possibly augmented by Shen Hung Lieh's following, might be in a position to cooperate by threatening Tsinanfu and south-east. Unless the convergence of the 8th Route Army units on Tsinanfu is in conjunction with other maneuvers there

would



793.94/14829

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

EDA - 2 - #13, March 20, 4 p.m. from Tsinanfu

would appear to the layman to be no practical military
purpose to be served thereby.

Repeated to Peiping and Chungking, by mail to
Tsingtao.

HAWTHORNE

KLP:DDM

760

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

793.94

DOCUMENT FILE

NOTE

SEE 890.00/134 FOR Memorandum
State Department
Far Eastern Division
FROM Salisbury DATED March 16, 1939.
TO NAME 1-1127 ***

REGARDING: Situation in the Far East: review of past week, in summary.

FRG.

793.94 / 14830

DECLASSIFIED: E.O. 11652, 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 894.24/623 FOR Memorandum
 State Department
 Far Eastern Division
 FROM (Ballantine) DATED March 6, 1939
 TO NAME 1-1127 ***

REGARDING: Japanese vessels, engaged in loading scrap iron for Japan:
 picketing of-, at Oregon ports.
 Conversation with First Secretary of Japanese Embassy, re-
 garding-, with reference to U.S. attitude toward Sino-
 Japanese conflict.

FRG.

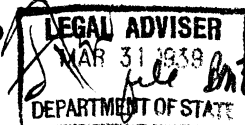
793.94/14831

14831

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

TELEGRAM RECEIVED



EG

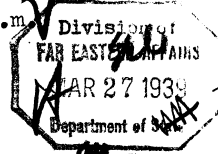
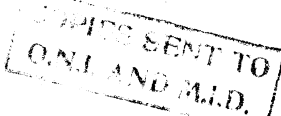
FROM
PLAIN

Swatow via N. R.

Dated March 26, 1939

Rec'd 7:25 p.m.

Secretary of State,
Washington.



793.94
THREE. March twenty sixth.

During morning air raid four Japanese planes dropped eight bombs and machine gunned new Swatow Railway station and landing for Kityang ferry, no casualties and slight damage. Motor launch near Kityang reported machine gunned killing six and wounding eight Chinese. During afternoon raid four Japanese planes dropped eight bombs on Ekoy Railway station five miles north of Chaochowlu and machine gunned railway station at Fooyang about ten miles south of Chaochuowlu, damage and casualties not yet reported.

Repeated to Chungking, Peiping.

YOUNG

HPD

793.94/14832

F/FG

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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 must be
closely paraphrased
before being communi-
cated to anyone (BR)

CHUNGKING VIA N.R.

FROM Dated March 27, 1939

Received 2:12 a.m.

Secretary of State

Washington

214, March 27, 5 p.m.

paraphrase
COPIES SENT TO
O.N.I. AND M.I.D.
in confidence

Division of
FAR EASTERN AFFAIRS
MAR 27 1939
Department of State

Responsible Chinese military officials yesterday admitted to an officer of the Embassy that the present Japanese offensive on Nanchang which commenced on March 17 with approximately 60,000 troops in participation has reached a critical state in respect of the defense of the city and that the Chinese are rushing five fresh divisions (presumably totaling about 50,000 men) from Hunan in a desperate endeavor to halt the onslaught. It seems, however, that Chinese endeavors to hold Nanchang will be to no avail and that the most vital means of communication between Hunan and Chekiang will be severed. Informed sources anticipate that a Japanese attack will be launched on Changsha as soon as the campaign against Nanchang is concluded.

(END SECTION ONE).

PECK

KLP:CSB

793.94/14833

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

EDA

TELEGRAM RECEIVED

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

CHUNGKING VIA N.R.

Dated March 27, 1939

FROM Received 9 a.m.

Secretary of State

Washington

214, March 27, 5 p.m. (SECTION TWO).

The recent Japanese drive in central Hupeh in which three divisions participated came to a halt after the Japanese succeeded in driving Chinese regular forces formerly east and south of Chungshiang to the west bank of the Han River. Several Japanese attempts at crossing that stream have been repelled and quiet now reigns on this front. Informed sources report that Japanese casualties in this sector exceeded 10,000 in the recent campaign and maintain that reinforcements in substantial numbers will be required if extended operations are to be attempted.

(END SECTION TWO)

PECK

KLP:CSB

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

EDA

TELEGRAM RECEIVED

This telegram must be _____ CHUNGKING VIA N.R.
closely paraphrased
before being communi- Dated March 27, 1939
cated to anyone (BR)

FROM Received 10:07 a.m.

Secretary of State

Washington

214, March 27, 5 p.m. (SECTION THREE).

Recent Japanese military activities in the Haichow area appear to have achieved their objective which was from all accounts the control of the salt fields of that region. An American associated with the Chinese Government Salt Administration confirmed that Chinese salt officials have withdrawn from the North Kiangsu salt fields leaving approximately ten million piculs of stored salt which could not be removed therefrom subsequent to the commencement of hostilities.

(END MESSAGE).

Repeated to Peiping.

PECK

KLP 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

(CONFIDENTIAL)

CONFIDENTIAL

P A R A P H R A S E

A telegram (No. 214) of March 27, 1939, from the American Embassy at Chungking reads substantially as follows:

It has been confirmed by an American connected with the Salt Administration of the Chinese Government that Chinese officials of that organization have departed from the salt fields in northern Kiangsu, abandoning stored salt in the amount of about 10,000,000 piculs which, following the outbreak of hostilities, it had been impossible to remove from the area. It would thus seem that the objective of the recent military operations of the Japanese in the region of Haichow - the control, as indicated by all accounts, of the region's salt fields - has been accomplished.

Following the success of the Japanese in pushing back to the western bank of the River Han the Chinese regular troops which had been in the sector south and east of Chunghsiang, the recent Japanese campaign in central Hupeh in which three divisions were employed, came to a halt. Extended operations cannot be attempted by the Japanese without substantial reinforcements, according to assertions by well-informed sources, who state that the recent offensive in this area cost the Japanese more than 10,000 casualties.

DECLASSIFIED: E.O. 11652, 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~~

-2-

casualties. A number of Japanese attempts to effect a crossing of the Han River have been repulsed, and this front is quiet at the moment. From the point of the defense of Nanchang, a crucial stage has been reached in the Japanese drive on that city which began ten days ago with some sixty thousand soldiers participating, according to an admission made to an officer of the staff of the American Embassy at Chungking by responsible officials of the Chinese Army. They also admit that, in an urgent effort to stop the assault, five fresh Chinese divisions are being brought with all possible speed from Hunan. (It is assumed that the combined strength of these divisions is about fifty thousand troops.) The Chinese attempts to defend Nanchang nevertheless seem destined to be futile, in which case the cutting of the most essential line of communication between Chekiang and Hunan will be effected. With the completion of the offensive against Nanchang, a drive on Changsha will be started by the Japanese, in the opinion of well-posted persons.

793.94/14833

FE:ASC:JFS

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3-28

DECLASSIFIED: E.O. 11652, 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
to anyone. (br)

HANKOW VIA N.R.

FROM Dated March 27, 1939

Rec'd 5:30 p. m.

Secretary of State,

Washington.

March 27, 2 p. m.

Japanese casualties on the Han River front are reported to be heavy. The Japanese offensive there is understood to be making slight if any progress.

The attack on Kuling has apparently been suspended, the Japanese presumably feeling that the Chinese forces on the mountain are now immobilized and will with the anticipated fall of Nanchang be forced either to attempt escape or to surrender.

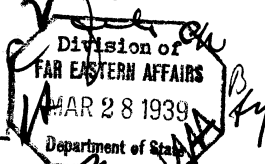
Of the three columns advancing on Nanchang from the north, the east and the west, the last, threatening the Chinese communications between the Kiangsi capital and Changsha, is the most significant.

The Japanese military position in Central China cannot be considered balanced before these two cities are occupied.

Sent to Chungking, repeated to the Department, Peiping, Shanghai.

JARVIS

NPL
EMB



793.94/14834

F/A

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

(CONFIDENTIAL)

PARAPHRASE

CONFIDENTIAL

A telegram of March 27, 1939, from the American Consulate General at Hankow reads substantially as follows:

Until the Japanese capture Nanchang and Changsha it cannot be considered that their military position in central China is balanced. The most significant of the three columns advancing from the west, the east and the north on Nanchang is the column coming from the west, which threatens Chinese communications between Nanchang and Changsha. It appears that the Japanese have suspended their attack on Kuling, feeling, it is assumed, that with the expected fall of Nanchang the Chinese troops which now are immobilized on the mountain will be obliged to surrender or to try to escape. It is understood that little if any progress is being made in the Japanese offensive on the Han River front where Japanese casualties are said to be heavy.

793.94/14834 -

EGC
 FE:Christenson:HES
 3-29

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

JR

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closely paraphrased before
being communicated
to anyone. (br)

TELEGRAM RECEIVED

FROM

Chungking via N. 1939
Dated March 28

Rec'd 7:30 a.m.

Secretary of State

Washington.

215, March 28, 9 a.m.

CONFIDENTIAL.

In the course of a call upon a responsible Chinese official on March 27, I asked regarding the present attitude of Germany toward the Sino-Japanese conflict and he said that he felt the German Minister for Foreign Affairs was extremely pro-Japanese but that the Minister of Economics believed that Germany stood more to gain through relations direct with China than through a victorious Japan. He commented that, of course, this was true because even if Japan obtained any advantage from the war this would not be shared with any other country. I inquired about the rumored negotiations for a renewal of the German-Chinese barter agreement and he said the German Minister of Economics had an emissary in Chungking named Voigt, formerly a businessman in Shanghai, who was pressing more for the carrying out of the terms of the barter agreement negotiated about three years ago than for its removal on different terms. (END OF SECTION ONE).

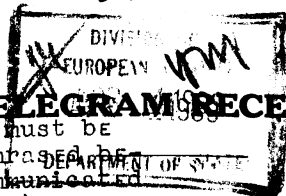
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DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

15495

JR

This telegram **TELEGRAM RECEIVED**

closely paraphrased before being communicated to anyone. (br)

Chungking via N. R.

Dated March 28, 1939

FROM Rec'd 7:30 a.m.

Secretary of State,

Washington.

215, March 28, 9 a.m. (SECTION TWO).

Since hostilities began China has not been carrying out its terms except that under a supplement negotiated a year after the date of signing Germany had granted a cash credit of 100,000,000 marks for the purchase of war supplies and China had about exhausted this credit. He said that although the Chinese Minister of Finance is rather inclined to carry out the original agreement, General Chiang views Germany with disfavor because of Hitler's action in ordering out the German military advisers and particularly because a time limit was set for their departure under threat of confiscation of their property and deprivation of citizenship which Chiang regarded as humiliating to himself. The Minister said that since the Japanese were making it increasingly difficult to export the Chinese products desired by Germany and to import manufactured goods the barter arrangement was decreasing in value to China even though the Germans were offering as an added inducement to accept Chinese raw materials in payment for war equipment. (END SECTION TWO)

PEG:VWC

PECK

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

15496

JR

TELEGRAM RECEIVED

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

Chungking via N. R.

Dated March 28, 1939

FROM

Rec'd 10:15 a.m.

Secretary of State,
Washington.

215, March 28, 9 a.m. (SECTION THREE).

He explained that the Germans refused to supply completely manufactured military equipment but only such as was brought to a stage where its assembly could be completed in China. I asked whether any threats were being made and the informant replied that the argument was being used that the assembly must do something to support that faction in Germany which preferred close relations with China rather than with Japan or automatically see the dominance of a pro-Japanese party. Recalling the negotiation of the original barter arrangement before the outbreak of hostilities informant said that even then the Germans had stated frankly that Germany could not be satisfied with current supplies of raw materials but must store up quantities in advance in preparation for war. I inferred that there is little prospect of an early agreement with the German representative.

End message. Repeated to Peiping, Shanghai. Peiping send by mail to Tokyo.

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

5491

ConfidentialP A R A P H R A S E

A confidential telegram (no. 215) of March 28, 1939, from the American Embassy at Chungking reads substantially as follows:

On March 27, when calling upon a responsible Chinese official, the American Chargé d'Affaires inquired with regard to Germany's attitude at the present time toward the conflict between China and Japan. In reply the Chinese official expressed the feeling that the German Minister of Economics was of the opinion that it would be more advantageous to Germany to carry on relations directly with China than through Japan as a victor but that the Minister for Foreign Affairs of Germany was very pro-Japanese. He remarked further that of course Germany would gain more through direct relations with China because Japan would not share with any other country any advantage which might be gained from the conflict.

In response to the Chargé's inquiry in regard to rumors of negotiations looking toward a renewal of the barter agreement negotiated about three years ago between China and Germany, the Chinese official made statements to the following effect:

There is in Chungking an emissary of the German Minister of Economics who is pressing not so much for a
 renewal

793.94/14835

DECLASSIFIED: E.O. 11652, 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

-2-

renewal on different terms of the barter agreement as for the carrying out of the present terms of the agreement. The name of this emissary, who was a Shanghai businessman formerly, is Voigt. Under a supplement to the agreement negotiated about two years ago Germany granted a cash credit of one hundred million marks for the purchase of war supplies. China has almost used up this credit. With this exception the Chinese Government has not been carrying out the terms of the agreement since the beginning of the conflict with Japan. Although Germany is offering to accept, in payment for war equipment, raw materials from China as an additional inducement to the Chinese to implement the barter agreement, the agreement is losing its value to China because the Japanese are making it more and more difficult to import manufactured goods and to export the Chinese materials which Germany wants. Kung (Chinese Minister of Finance) is rather favorable to carrying out the terms of the original barter agreement. However, on account of Hitler's action in ordering the German military advisers out of China, the Generalissimo does not look with favor upon Germany. The Generalissimo considers this action as a humiliation to himself, especially on account of the fact that the advisers were threatened with loss of their German citizenship and confiscation of their property if they did not leave China by a certain date. Germany is willing to supply only such
 military

DECLASSIFIED: E.O. 11652, 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-

military equipment as has reached the point where it can be assembled in China and has refused to supply equipment which is completely manufactured. Even when the original barter agreement was negotiated before the beginning of the hostilities in China, the Germans were frank in saying that current supplies of raw materials would not satisfy them but that they must store up quantities thereof in anticipation of war. In response to the Chargé's inquiry whether the Germans are making any threats, the Chinese official said that the argument is being used that if the pro-Japanese party is to be prevented from dominating in Germany automatically some action must be taken to uphold the faction there which desires close relations with the Chinese Government rather than with the Japanese Government. The Chargé received the impression that an agreement with the German emissary in the near future was not likely.

793.94/14835

89C
 FE:EGG:HJN
 3/30

FE *any*

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

TELEGRAM RECEIVED

FS

This telegram must be
closely paraphrased be-
fore being communicated
to anyone; (A)

FROM

Chungking via N. R.

Dated March 28, 1939

Rec'd 7:30 a.m.

Secretary of State,
Washington.

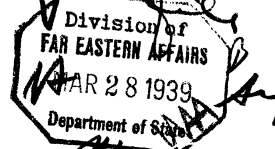
221, March 28, 3 p.m.

My 215, March 28, 9 a.m., the Chinese informant was
Wong Wen Hao, Minister of Economic Affairs.

RR

PECK

German attitude toward Sino-
Japanese conflict.



793.94/14836

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

OFFICE OF THE ADVISER ON
INTERNATIONAL ECONOMIC AFFAIRS
DEPARTMENT OF STATE FEB 24 1939
ADVISER ON POLITICAL RELATIONS

February 24, 1939.

EA.
Dear Herbert:

It does not seem to me that this letter
calls for a "reply" or that even an acknowl-
edgment is necessary. As a matter of courtesy
and manifestation of good will, you might care
to send along something perhaps somewhat as
follows:

Dear Dr. Chien:

Your letter of January 30,
1939, is before me. I remember
with pleasure our conversation to
which you refer, and I appreciate
your writing me and giving me the
information which you have been
so good as to supply in your
letter under acknowledgment.

With cordial regards, I am

Yours sincerely,

PA/H:SKH:ZMK

Stanley K. Hornbeck

1621

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

NATIONAL PEKING UNIVERSITY

School of Law

Office of the Dean

Kunming, Yunnan
China

January 30, 1939

Dr. Herbert Feis
State Department
Washington, D. C.

See 033.9311 Hndbk

Dear Dr. Feis:

. Since our good talk in the winter of 1937-38, through the kind introduction of Mr. Frankfurter, I have always intended to write to thank you and seek, if convenient to you, further enlightenment on the Far Eastern situation. But constant traveling has made correspondence rather difficult. For this apparent negligence, may I not ask for your generous indulgence?

We are now in the nineteenth month of the war. At present the military situation is quite satisfactory. There is actually a larger and better equipped army than at the beginning of the war. Exclusive of the recruits under training, we have now about 2,400,000 men in arms. Of these, the General Headquarters intends to maintain one third at the front, one third in the back of enemy lines as guerillas, and the rest in the interior for other contingencies. Besides, we are maintaining the constant figure of about 600,000 trained men in reserve. Japan is now having about one million men in China, along six main fronts, about 3400 kilometers in aggregate length. She can hardly afford to send more to China. If she cannot dispatch more, it would be quite difficult for her to make any further rapid advances.

At present the Japanese appear to be focusing on two centers, Kwangsi Province and Shensi Province, with their adjacent areas. Their aims are two-fold; first to cut our southwestern communication lines with Burma and Indo-China, and our northwestern communication lines with Soviet-Russia respectively, and second to make a final assault on the great Szechuan Province, where our temporary capital, Chungking, is situated.

If Japan can send two fresh armies, one to land at Pakhoi, a southern port and thence march northward, and the other to sail up the West River, a tributary of the Pearl River, they may be able to take Kwangsi. With Kwangsi Province taken, the Province of Kweichow to the north and the Province of Yunnan to the west, might easily be threatened. But lately we have done systematic destruction of those roads that might be used by our enemy in their attack upon Kwangsi. Our military experts estimate that granting Japan can send sufficiently large enforcements, which may well be doubted, it should still take them no less than nine months before they ever reach Kunming. So much for the Southern Front.

As for the Northwest, the Japanese have been trying to cross the Yellow River from Shansi Province for many a month, but so

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162

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

Dr. Feis/2

far they have made little progress. We are stationing there large units and able commanders, which means that Japan must also send large reinforcements before she has any chance of success.

~ In other words, for a minimum period of nine months, our southwestern base, with Szechuan as the center, is quite safe. In the meantime, we are fully utilizing the guerillas to molest the Japanese from their rear. Lately, huge numbers of regulars have filtered through the enemy lines into what Japan complacently considers as occupied territories and are leading armed Chinese, patriots and ex-bandits alike, in making the Japanese position more and more untenable.

The morale of our army is quite good, and fighting ability quite remarkable. In a confidential report to the People's Political Council, which has since been made public, our Generalissimo Chiang said that in the Yangtze fighting, before the fall of Hankow, our enemy suffered as many casualties as we did.

I understand also that we have stored up large quantities of munitions, large enough to last us for another nine months or thereabouts. It is true that our enemy is vastly superior in heavy guns and air force. But as they get more and more into our interior, the heavy guns will find less and less use. As for the airplanes, they only serve to scare the civilians.

~ We know that we will fight on. Being poor, we can fight a poor man's war. We will not surrender or compromise or accept any half-way peace measures. The failure of Mr. Wang Ching-Wei's recent attempt at peace is a proof of our uncompromising sentiment. Mr. Wang is a great patriot. He could no longer tolerate the suffering of our people. He wanted to grab any tolerable peace. He thought that the peace overtures of Konoye, the ex-premier of Japan, were sincerely made and embodied tolerable terms. But the Chinese people, including Generalissimo Chiang thought otherwise. And we had to sacrifice Mr. Wang's services, at least for the time being, in order not to confuse the mind of our people.

But whether we can outlast the Japanese in this miserable war, we are not so sure. As the war goes on, it will become more and more a war of economic strength, and less and less one of military power, which will always be indecisive. In this economic war, much will depend upon the international situation. If economic assistance for us, or restrictions against Japan, is not forthcoming, we may run bankrupt sooner than our enemy. If enough strength is thrown in our favor, we may of course outlast our enemy.

~ Because this economic factor is a most decisive one, we are watching most carefully the development of American and British policy towards the Far East. I am afraid America is still paralysed by isolationism, and Britain too timid in the face of European unrest. There is possibility of American and British help coming, if it ever comes, too late to save us. In fact, for a year or so, I have always thought that if Britain and France could make a strong stand in Geneva for economic sanctions against Japan, with

1624

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

Dr. Feis/3

America fully collaborating, not only China would be saved from the possibility of conquest, the League from eclipse, but also the peace-loving powers freed from fear of war, because the failure of Japan would discourage Hitler and Mussolini from entertaining too fantastic ambitions. How short-sighted indeed are the statemen of the world today!

Turning from the war situation to ^{our} internal development, I only wish to say a few words about the People's Political Council. It is a semi-representative assembly, composed of two hundred members, who were nominated in a rather complicated way, but representative of all the provinces, parties, groups and professions. I attended the second session in October-November last year, and acted as co-chairman of the Committee on Foreign Affairs. Though the Council has only deliberative and questioning powers but no power to compel the government to abide by its decisions, its convening has no doubt moved China one step nearer to democracy. It has created in our government a sense of responsibility towards public criticism and made it more attentive to the same.

I was told that the work of the Council during the second session is much more real and significant than during the first, held before my return. The first two sessions were presided over by Mr. Wang Ching-Wei. It has now been announced that Generalissimo Chiang will take up the Presidency of the Council at its third session, which will meet very shortly at Chungking. I have no doubt therefore, that during the coming session, the Council will display even greater vitality and will give us more ground for optimism as regards our political future. Incidentally, I may have more information worth telling, after attending the third session.

With my highest regards, I remain

Yours sincerely,

Tuan-Sheng Chien
Tuan-Sheng Chien

P.S. If you should favor me with a reply, please kindly send it via "China Clipper" as ordinary mail is likely to take two months to reach us.

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

AIR MAIL

March 4, 1939.

Dear Dr. Chien:

I was greatly pleased to receive your letter of January 30, have read it with interest, and brought it to the attention of my associates. I remember with pleasure our meeting, and I appreciate the information that you have been good enough to supply me.

Sincerely yours,

Herbert Feis,
 Adviser on International
 Economic Affairs.

Dr. Tuan-Sheng Chien,
 School of Law,
 National Peking University,
 Kunming, Yunnan, China.

MAR 10 1939

EA:HF:MEG

A true copy of
 the signed original.
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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. Foochow/132 FOR #98

FROM Foochow (Rowe) DATED Feb 6, 1939.
TO NAME 1-1127 ...

REGARDING: Sino-Japanese conflict: developments for the month of Jan., 1939.

793.94 / 14838

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B. Relations with Other Countries.

1. Japan.

a. Movements of Japanese aeroplanes and warships.

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(Pg 1-2)

Seven or eight times Japanese aeroplanes made reconnaissance flights over various parts of the consular district, but no bombing was reported. On January 23, one aeroplane circled about Foochow for about fifteen minutes, but departed without dropping bombs or pamphlets. About January 25, four Japanese warships anchored among a group of islands off Sharp Peak, where they remained for several days without taking any action.

b. Anti-Japanese propaganda.

Patriotic mass meetings were held from time to time during January, rewards were offered for information leading to the arrest of "traitors", telegrams of support and encouragement were sent to Generalissimo Chiang Kai-shek and to various high ranking officers at the front, students must now salute military officers, and there are plans on foot to send a group of selected persons to the South Sea Islands to "comfort" the Chinese residents overseas. Periodic inspections were

carried

-2-

carried out to prevent the smuggling into Foochow of Japanese goods. Telegraphic petitions were sent by various associations denouncing Wang Ching-wei and demanding his arrest. A campaign was conducted with the object of persuading the subscribers to the national salvation loan to offer the first year's interest as a contribution toward national defence.

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

DOCUMENT FILE

NOTE

SEE 811.04418/362 FOR Tel. #212, 1pm

FROM China (Chun King) (Peck) DATED Mar. 27, 1939
TO NAME 1-1127 ***

REGARDING:

Proposed Pittman Bill providing for substitute
neutrality legislation.

Conversation with Dr. T.T. Li of Chinese Foreign
Office concerning - and its disadvantages to
China in present hostilities.

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

TELEGRAM RECEIVED

FROM

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

in confidence
HANKOW VIA N.R.

Dated March 28, 1939

Received, 7 a.m.

EDA

This telegram must be
closely paraphrased
before being communi-
cated to anyone (BR)

Secretary of State

Washington

73, March 28, 3 p.m.

A usually reliable source states that the local
Japanese authorities last week received orders from Tokyo
(1) to adopt a more moderate attitude toward Chinese and
foreigners, and (2) to despatch from Central China repre-
sentatives of all officers above the rank of major to a
Tokyo Army and Navy Conference to be held in mid-April.
The nature of two other important orders received at the
same time are unknown.

It may be said that the visible attitude of officials
and sentries here would seem corroborate (1) above.

Repeated to Peiping, Chungking, Shanghai.

JARVIS

PEG:KLP



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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. 73) of March 28, 1939, from the American Consular Officer in charge at Hankow reads substantially as follows:

During the past week four important orders were received from Tokyo by Japanese authorities in Hankow, according to a statement made by a person usually reliable. The nature of two of the orders is not known but the other two were (a) to send from Central China to a Navy and Army Conference to be held in Tokyo the middle of April representatives of all officers higher in rank than major and (b) to assume a more moderate position toward foreigners and Chinese. The consular officer remarks that the last mentioned order seems to be confirmed by the apparent attitude of sentries and officials at Hankow.

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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 890.00/135 FOR Memorandum
State Department
Far Eastern Division
FROM (Salisbury) DATED March 9, 1939.
TO NAME 1-1127 ***

REGARDING: Situation in Far East: Sino-Japanese conflict.
Review of past week, in summary.

793.94 / 14841

FRG.

14841 -

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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 890.00/136 FOR Memorandum
State Department
Far Eastern Division
FROM (Salisbury) DATED March 23, 1939
TO NAME 1-1127

REGARDING: Situation in Far East: Sino-Japanese relations.
Review of past week, in summary.

793.94 / 14842

FRG.

14842 -

163

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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 793.94119/515 FOR Tel #217; 11am

FROM China (Chungking) (Peck) DATED March 28, 1939
TO _____ NAME _____ 1-1127 ***

REGARDING: Sino-Japanese conflict: U.S. position; pending neutrality legislation, seemingly, to advantage of Japanese.

Conversation with Chinese Minister of Economics on-, with reference to Chinese determination to continue resistance, notwithstanding rumored impending peace negotiations.

FRG.

793.94 / 14843

14843 -

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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

April 7, 1939.

Shanghai's despatch No. 2039 of March 8
 encloses Marine intelligence summaries which
 include the following items of interest:

There was a mutiny of Japanese troops
 on a transport off Tangku;

The unsatisfactory nature of Manchur-
 ian iron seems proven by the fact
 that there are thousands of tons of
 iron lying ^{unused} near furnaces in "Manchu-
 kuo", while Japan continues to import
 great quantities of iron;

Evidence of the departure of French
 and other foreign aviators, except
 Russian, indicates that China is
 availing herself of the Russian of-
 fer to take over active control of
 the Chinese air forces.

(Above items marked by clip and pencil
 in case you wish to note them.)

FE:Chase:JPS

063

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

NO. 2039.

AMERICAN CONSULATE GENERAL,

Shanghai, China, March 8, 1939.

1939 MAR 29 PM 5 21

DIVISION OF
COMMUNICATIONS
AND RECORDS

M

Stanton

SUBJECT: Intelligence Summaries for the
Month of February 1939.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to refer to my despatch no.

- 1/ 1978¹¹⁴⁷⁶² of February 8, 1939, and to enclose, as of
possible interest to the Department, copies of
intelligence summaries for the month of February
1939, prepared by the Intelligence Officer of the

United States Fourth Marines.

Respectfully yours,

C. E. Gauss
American Consul General

DEPARTMENT OF STATE
APR 11 1939
ASSISTANT SECRETARY
OF STATE

Enclosure:

- 1/- Intelligence summaries
for February 1939.

800
EFS MB

In Single Copy.

Copy to Embassy, Peiping.

Copy to Embassy, Chungking.

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

JSH/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA.

4 February, 1939.

RESTRICTED

R-2 REPORT JANUARY 28-FEBRUARY 4, 1939.

MILITARY OPERATIONS

NORTH CHINA

SIENSI:

Continuing their operations along the YELLOW RIVER the Japanese occupied HUSIEN and YUNGLOCHEN. The Japanese attempted to cross the YELLOW RIVER west of KHSIEN but were repulsed. The Chinese are blasting the ice in the river at strategic points. The Japanese objective on the SIENSI side is probably SIAN, the terminus of the 2,000 mile "Silk Road" running from SIAN to RUSSIA.

On the 29th the Japanese occupied SHIENSIATSI, west of FAOHSIEN. Skirmishes have been reported in the vicinity of TICHING, east of FAOHSIEN.

Morning-up operations continue in the mountainous CHUNGKIAO-SHAN regions and particularly southeast of CHENGHSIEN and northeast of JUICHING. According to a Japanese communique movement of freight trains on the TATUNG-PUCKOW railway between ELIYUAN and LINFEI was re-established on the 1st of February.

The Japanese Army in SIENSI are massing heavy forces to attack guerrillas as well as attempt a crossing of the YELLOW RIVER with CHENGCHOW as their objective.

KOPEN:

Twenty trucks, carrying 700 Japanese troops and 40 officers, passed through CHINGKIAO from the direction of TIENTSIN on the 29th of January, 200 wounded were placed on hospital ships at CHINGKIAO.

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E.O. 11652, Sec. 3(E) and 5(D) or (E)
OSD letter, May 3, 1972
By Edith A. [unclear] NARS Date May 19, 1973

HONAN:

Three Japanese detachments, assisted by Japanese aircraft, have launched an offensive against the Chinese troops which still remain on the north bank of the YELLOW RIVER, south of the TACKOW-CHINGHUA railway. According to a Japanese communique one section of Chinese troops, encountered on the 1st of February on the south bank of the Yellow River, left 700 dead upon the field.

The 45th Division of the Central Army, stationed at Loyang on the Lunghai railway in northwestern HONAN, and the 47th and 54th Divisions, stationed at HENGCHINGMAN, have been ordered to move toward the northwest.

Heavy fighting continues in the south of the province. Japanese took CHHSIEN, west of LITFEN, after which the main body of Chinese withdrew across the YELLOW RIVER into SHENSI.

The Japanese were repulsed when attempting to cross the river.

MANCHOUKUC

On the 31st seven Japanese were killed or wounded in a battle with a Soviet detachment over the possession of an island near KAILSTUVSAYAY on the ARGUN RIVER. The river forms the northwestern boundary between MANCHOUKUC and the Soviet Union.

CENTRAL CHINA

CHENLIANG

Frequent activities in the LUHAN district, along the north and south banks of the YANGTZE RIVER by Chinese guerrillas, caused Japanese garrisons recently to begin operations toward mopping-up Chinese troops remaining along the river.

Japanese forces attacked Chinese positions at HOLICHEN in the CHANGCHING district in northern CHENLIANG on the 30th. After offering stubborn resistance the Chinese withdrew but with the arrival of reinforcements launched a counter-attack on the 31st,

recapturing HOKICHEN.

On the 25th Japanese troops attacked 500 guerrillas in the vicinity of MATCHAMAH, 40 kilometers northwest of HANGCHOW, killing 30. On the 26th Japanese troops claim to have defeated 200 guerrillas near TIENTSING, north of HANGCHOW.

HUPEH

The Japanese, on the 30th, resumed their operations west of HANKOW. They advanced in three directions. One column, from KINGSEAN, has reached SUNAILO, 15 kilometers west of KINGSEAN; another column advancing along the HANKOW-ICHANG route has reached YINGTIA, 55 kilometers west of TSAOSHUIH; a third column from TIENMEN is moving toward YOMOW on the HAN RIVER.

The Chinese communist Eighth Route Army has been increasingly active lately in the vicinity of HOKIEN, 10 kilometers southwest of TIENTSIN, at the confluence of the HUTOU and HULOC rivers. Their operations included the demolishing of several highways, roads and other lanes of communication in the vicinity.

Guerrillas operating along the CANTON-HANKOW railway destroyed two railway bridges at PINGSHUIFU near FUCHI on the 30th of January. Guerrillas also attacked TUNGCHENG and TSUNGCHANG on January 28th; 20 Japanese were killed. As a retaliatory measure the Japanese troops set fire to two hundred civilian houses in the TUNGCHENG-TSUNGYANG sector.

KIANGSI

Japanese Army authorities on 1 February "advised" foreigners living in KULING, northern KIANGSI, to evacuate.

The Japanese claim between 4,000 and 5,000 Chinese troops are now located in the LUSHAN mountains with KULING as their base.

The foreigners are given until 10 February to evacuate.

During the month of January guerrillas have been very

active. A total of 65 engagements have been reported, in which Chinese casualties are reported as 1,991 and the Japanese casualties as 133. The armament of the guerrillas is of Czechoslovakian manufacture.

Japanese troops along the SIU RIVER, west of POYANG LAKE, repulsed Chinese attacks launched in the YUNGSIU and PAICHOCHIEH sectors on the 29th.

KIANGSU:

About 2,500 bandits, who have surrendered in the HAITUNG area since the occupation of the MUHAI cities, are being organized into a Pacification Corps by the Ministry of Public Security of the Reformed Government. Japanese authorities claim that sixteen thousand guerrillas have volunteered to join the Pacification troops.

Chinese guerrillas operating near KILTING, along the SHANGHAI-NANKING railway on the 30th, destroyed a Japanese plane which had made a forced landing.

SOUTH CHINA

Maichow island, 30 miles south of PALHOI in KWANGTUNG, was occupied by units of the Japanese Navy on February 2nd.

The Chinese South China command has ordered the destruction of the highway from YANCHOW, on the Gulf of TONGKING, to NATLAI and MUCHOW in KWANGSI to prevent the entry of Japanese mechanized forces.

On February 1st, Japanese marines attempted to land near TONGHA, in KWANGTUNG, but were repulsed losing two landing boats and several score of men.

Japanese naval landing forces on the 1st of February were repulsed in an attempt to get ashore near MACAO.

JAPANESE AIRCRAFT

SOUTH CHINA

CHENGCHOW, situated at the junction of the PEILING-HANKOW and LUICHAI railways, was raided for the fourth time on January 31st. The headquarters building of the 29th Army and the 20th Division at CHENGCHOW was damaged in this raid.

Japanese Army aircraft straffed a Chinese cavalry unit while crossing the YELLOW RIVER on February 2nd. The Cavalry detachment, consisting of 10,000 men, was a part of the 84th and 94th Divisions.

SOUTH CHINA

Junks, loaded with munitions and other military supplies were bombed by Japanese naval aircraft near HONGKONG and SUNWUI, in KWANGTUNG province, on the 27th and 28th of January. These Junks were operating on the TSINGTAN and the WEST RIVER.

Chinese forces, numbering 2,000, moving along the WEST RIVER headed for TSINGYIN and SHIUNG were bombed by a Squadron of Japanese military planes on the 28th of January. In the vicinity of HOLSAN, 80 kilometers southwest of CANTON, and at CHALING, 20 kilometers further west, two detachments of Chinese troops were bombed.

Japanese Naval planes disrupted communication lines and demolished military establishments in raids on SHACHOW, important town on the CANTON-HANKOW railway in northern KWANGTUNG; KOYIU on the WEST RIVER in western KWANGTUNG, and NANKING in southwestern KWANGSI on January 31st.

CHINESE AIRCRAFT:

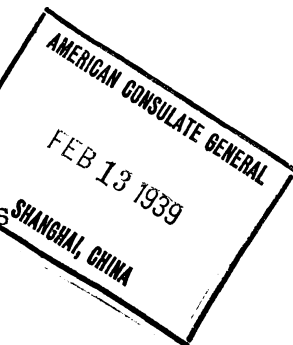
SOUTH CHINA

Japanese cavalry units were bombed by Chinese planes on the outskirts of CANTON on the morning of January 27th. On the same day Chinese planes bombed Japanese warships near HAIPOCA.

J. S. MCMAHAN
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

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E.O. 11652, Sec. 3(E) and 5(D) or (E)
OSD letter, May 2, 1972
NARS Date May 19 1972



JSM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA.

11 February, 1939.

RESTRICTED

HAINAN ISLAND

HAINAN ISLAND situated at the cross roads of the SOUTH CHINA SEAS, and regarded by FRANCE as a vital factor in the defense of INDIC-CHINA, was invaded by the Japanese at 2.50 on the morning of the 10th of February.

The Japanese convoy, consisting of transports and escorting naval vessels, dropped anchor off HAINAN ISLAND at 11 o'clock the same date. Vice-Admiral NOBUTAKE KONDO is commanding the Naval Forces and directed the landing operation. This landing was accomplished by two wings, the left wing landing in an unnamed bay along the West Coast and the right wing landing an hour later. The landing was accomplished in darkness as the moon appeared but occasionally from behind the clouds. The sea was calm despite a brisk wind.

The only opposition to the Japanese landing was a few rounds of desultory machine gun fire. No battle was fought and the Japanese suffered no casualties.

The Navy forced their way up the NANTU RIVER, reaching HOIHOW at 1:30 in the afternoon, which the Japanese Army and the Naval Landing Force had captured at 11:45 in the morning.

The feeble resistance was offered by the 500 Chinese regulars and some militiamen under the command of General CHANG TA, Commander-in-Chief of the Chinese forces on the island. The General was at SHACHOW in Northern Kiangtung when the Japanese forces landed.

Japanese spokesmen declared the campaign was undertaken to strengthen the blockade of the SOUTH CHINA COAST and cut the re-

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maining arteries for arms supplies through LUICHOW PENINSULA and FRENCH INDO-CHINA.

The Chinese troops in the south have been using the island as a base, and Chinese batteries at HOIHOI have been firing on Japanese ships since the start of hostilities. The Chinese also operated a number of armed junks from HAINAN, which have been hampering Japanese shipping in the southern waters.

The island, lies between the CHINA SEA and the GULF of TONGKING. It is 185 miles long and 120 miles wide, containing an area of 13,900 square miles. It is very mountainous, the central and southern mass is called the Five Finger Mountains and has peaks rising to an elevation of 4,900 feet. Its mountains contain Gold, Silver, Copper and Iron. The lowlands are extremely fertile and the coast is broken and indented.

The Island has a population estimated at 2,500,000 of whom 10 percent are reputed to be aborigines. The Foreign Colony consists of 40 Americans and an undetermined number of British, French and Norwegian residents.

The island, as regards the CHINA situation, being only 95 miles from PAKHOI, is ideally situated as a jumping off place in an attack on China's southern supply routes.

The greatest value of the Island, however, is in its international significance. Should this island be fortified it would place all routes to CHINA from the south at the sufferance of Japan. It would completely nullify the British bases at HONGKONG and SINGAPORE, and being only 613 miles from MANILA, would permit a fleet operating from such a base to dominate the PHILIPPINE ISLANDS.

The French long realizing that any major power holding this island, held the key to INDO-CHINA, entered an agreement with the Chinese in 1897 to the effect that CHINA would never give any

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part of HAINAN ISLAND to another power. FRANCE also signed a treaty with the Japanese to the effect that both countries would respect the independence and integrity of this island.

Following is a table of distances from this island:

HAINAN ISLAND to SAIGON.....	618 miles.
PAKHOI.....	95 "
HONGKONG.....	238 "
FORIOSA.....	570 "
TOHYO.....	1900 "
MANILA.....	618 "
SINGAPORE.....	1300 "

GUERRILLAS:

The mopping-up of guerrillas has constituted Japan's major effort for the past month. The largest of these "clean-up" campaigns is in NORTH CHINA.

Japanese reports claim that during the month of January the Chinese guerrilla losses in NORTH CHINA were 17,000 dead and 550 prisoners. The same source places the Japanese casualties as 716 killed and 353 wounded. The Japanese losses, however, are believed to be considerably more as the Marine Detachment TIENTSIN reports that during the same period 550 Japanese wounded were placed on transports at CHINWANGTAO.

The main guerrilla resistance in NORTH CHINA is from the combined armies of Generals LU CHUNG-LING and SHIH YU-SHAN supported by large forces of the eighth route army. The combined forces numbering some hundred thousand men.

In an attempt to annihilate this guerrilla force the Japanese are concentrating their forces in CENTRAL HOPEH, about one hundred miles south of PEIHING. This is to be used as a reserve force, employed as the situation demands. In addition the Japanese have established bases in important cities encircling all NORTH CHINA from which smaller patrols are operating to cut off the retreat of the guerrillas.

Aerial reconnaissance is also extensively employed to direct the Japanese patrols and to keep them informed as to the strength of the guerrillas and their movements.

The Chinese in turn are quite optimistic in regards to their position. They claim full knowledge of the encircling movement of the Japanese and state that the extreme mobility of the guerrillas affords them the greatest protection. They also have the populace destroy the walls of walled cities which forces the Japanese to maintain a larger garrison than would otherwise be necessary. They claim the greatest damage the Chinese inflict is on the long lines of communication between the widely spaced garrisons. The Chinese also declare that the Japanese occupied towns are almost entirely evacuated leaving the garrisons holding empty towns.

AVIATION (JAPANESE)

NORTH CHINA:

HUBEI: TANGYANG, on the CHU RIVER in Central HUBEI, was raided by Japanese naval aircraft on February 6th. Chinese barracks in the center of the city, as well as various military establishments west north and south of the city's outer limits, were damaged in the raid.

CENTRAL CHINA:

CHEKIANG: LINAN, SINTENG and CHURI, Chinese air-bases in northwestern CHEKIANG, in a 50 Kilometer radius of HANGZHOU were attacked by Japanese aircraft on February 5th.

The CHEKIANG-KIANGSI railway, running from east to west across Central CHINA was bombed on February 6th. Tracks at CHANGSHUCKEN and TUNGSIANG stations, east of NANCHANG were destroyed by the raiders.

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

Japanese aircraft on February 5th, bombed a military train and a Chinese military provisions depot near SAMLIANGKOW, 40 kilometers south of NANCHANG.

SOUTH CHINA:

KWANGSI: Godowns built on the Race Course and the Airfield at ISHAN, on the LUNG RIVER in north KWANGSI, were bombed on February 5th, by Japanese Naval aircraft.

Large quantities of railway equipment, which had been concentrated at KWEIHSIEN, in southeastern KWANGSI, were bombed by Japanese Naval aircraft on February 6th.

KWANGTUNG: Factories, Godowns, and Junks at SUNWUI, a city along the NINGYANG railway, on the TSINGTAN RIVER in southern KWANGTUNG, and KOYIU on the WEST RIVER, in western KWANGTUNG, were bombed by Japanese Naval aircraft on February 5th.

LIN-HSIEN, 230 kilometers northwest of CANTON, capitol of the KWANGTUNG PROVINCIAL GOVERNMENT was, on February sixth, raided by three Japanese Army Air squadrons.

The heavily fortified defense bases were completely demolished by the Japanese Aerial attack.

500 troops marching to LIN-HSIEN from the north and 100 others deployed outside the city were subjected to heavy machine-gun fire.

On February 6th, a Headquarters building of the Fourth War Zone at SHIUCHOW, 200 kilometers north of CANTON, was bombed by Japanese Aircraft.

Chinese defense positions were destroyed at SHIUCHOW by a third squadron of Japanese aircraft.

Chinese troops, in the YAHSLIE and PAKHOI districts, in southwestern KWANGTUNG, were bombed by Japanese Naval aircraft on February 6th.

AVIATION (CHINESE)

NORTH CHINA:

A report which should be taken with considerable reserve states that Chinese Aircraft, on February 5th, attacked a Japanese air-base at YUNCHEM, in South SHANSI, demolishing 40 Japanese airplanes on the airfield.

SOUTH CHINA:

A squadron of Chinese bombers are reported to have raided a Japanese naval concentration and the airdrome at SANTSAO ISLAND, seven miles from MACAO, on February 7th.

The raiders scored a direct hit on one Japanese warship, and set fire to structures on the airfield.

KULING:

The sixty five foreigners, 12 of whom are Americans, residing in KULING, are still occupying their mountain resort homes. During the past week the American Vice-Consul and the British Vice-Consul went to KUIKIANG aboard the USS OAHU to attempt to contact their nationals in KULING.

The Japanese had allowed the foreigners in KULING until February tenth to evacuate. A Japanese movement in this area is planned in order to attack the Chinese troops remaining in this vicinity. The time limit on the evacuation date has been indefinitely extended pending negotiations among the parties concerned.

POLITICAL:

The chief problem facing CHINA in her war of resistance is to keep open its routes to the outside world in order to obtain the necessary supplies. Since she has been cut off from the sea CHINA imports over these routes, trucks, motor parts, heavy machinery, oil and ammunition.

First of these is the ancient Silk road running 2,000 miles from SIAN through SINKIANKANG (once part of China proper but now

almost completely under Soviet dominance) to the Russian centers of ALMA ATA and SERGIOFOL on RUSSIA'S new TURK-SIB railroad. Today on the old Silk Road a fleet of approximately 1,000 Russian trucks shuttle over it carrying supplies and munitions to the heart of CHINA.

The other important route, though as yet not as heavily travelled as the Silk Road is the 1,350 mile rail and road route from YUNNANFU to BURMA. This route is being improved and in the near future will be the main Chinese artery.

Sources of information show that the Japanese are concentrating their forces in China in two areas. One concentration in Western SHANSI and HONAN near the point where the YELLOW RIVER turns east, in preparation for a probable drive on SIAN, the city controlling the Silk Route. The other concentration being in the CANTON-HAINAN ISLAND area, bases from which a drive on YUNNANFU could be made. This city forms the junction of the BURMA-YUNNANFU road and the HAIHONG-YUNNANFU railway. Admiral NOMURA is quoted as saying that with the fall of SIAN and YUNNANFU the CHUNGKING government, unable to obtain foreign aid, would collapse.

ECONOMIC:

A short summary of some of the industries operating under the various development Companies will show the progress made by the Japanese in the economic rehabilitation of CHINA.

The silk industry, under the monopoly of the Central China Silk Reeling Company, has now reached one third of its pre-war output. Before the hostilities, CHINA had 53 silk factories in the SOOCHOW, WUSIH and HANGCHOW areas, employing approximately 50,000 people, representing a \$25,000,000 a year industry. The Japanese now have 15 factories working in these areas employing approximately 15,000 people, with the output increasing monthly.

The Japanese have organized the Cotton Production and Regulation Association, which includes all the leading Japanese Cotton spinners, tracers and mill owners, to process the estimated 4,600,000 piculs of raw cotton crop in CHINA this year. They have also formed the Cotton Cultivation Association subsidized with Y1,500,000 for the purpose of distributing selected seeds in the cotton producing areas.

The North China Salt Producing Company will shortly start operations with an estimated 1,000,000 tons of salt a year as their production limit. The company is capitalized at \$30,000,000.

To make room for the new monopoly Japanese troops on the 7th of February ambushed 1,000 "smugglers" escorted by 200 Chinese troops, killing three hundred, at LIUSHANTUNG in southwestern SHANSI. The "smugglers" were proceeding to YUNCHENG the great Chinese salt producing center when the ambush occurred.

RUSSIAN-JAPANESE BORDER DISPUTES:

On February tenth, for the fourth time in ten days, Soviet and Japanese-Manchukuo troops clashed on an ARGUN RIVER ISLAND near NOVOTSURUKAITUL. Japanese Manchukuo troops were reported to have attacked strategically important ISLAND NUMBER 227 on February seventh and eight in a repetition of their alleged invasion of the island on January 31st. The Soviet Charge D'Affaires lodged a firm protest with the Japanese Foreign Office against the alleged invasion. The protest warned Japan of the "possible consequences" of such action and pointed out that the island involved had been recognized as Soviet territory in a treaty with CHINA signed in 1911. The island in dispute is located approximately 50 kilometers northeast of LANCHOW. It is reported that the casualties resulting from the recent skirmishes were ten

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

Japanese, including one officer, and three Soviet casualties.

RUSSIAN-JAPANESE FISHERY DISPUTE:

With the approach of March 15, the date set by RUSSIA for the auction of fishing lots, the tension created by the situation is increasing daily. The Soviet Union is charged with being guilty of an "unwarranted violation of international faith" by ordering an auction of stabilized lots. It is claimed that Japan's fishing rights should remain unimpaired by the existence or non-existence of regulations. Japanese fishing operators have determined not to bid at the auction of the lots. It is further claimed that the Soviet government has organized a Special defense force to "attack and repel any Japanese ship in case the Japanese attempt to engage in "free fishing" during the coming season.

J. S. McNahan
J. S. MCNAHAN
Major, U.S. Marine Corps,
Regimental Intelligence Officer.

165

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
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)
OSD letter, May 3, 1974
By [Signature] NARS Date May 19, 1973

WFM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

18 February, 1939.

RESTRICTED

HAINAN ISLAND:

The Japanese landing operation on HAINAN Island was carried out simultaneously on the north and south (see map) coast of the Island by a force of between 5,000 and 6,000 soldiers and Naval Landing troops. The northern landing was at TACHANG BAY from which point the Japanese advanced inland with no serious resistance. On the 14th the Japanese captured TINGAN, and from this point moved out in a column towards the east coast, capturing LENCHEONG.

The southern landing was in the BAY of YA, from which point the Japanese advanced on the town of SALAN. From SALAN two detachments, following the motor road, advanced in opposite directions along the coast. One detachment on the 15th capturing AIH-SIEN, the cultural center of the Island, and the other detachment following the road towards the TA RIVER.

The Japanese are reported to already have started fortifications on the Island. The Army is building strong air bases on the northern part of the Island, in the TACHANG BAY area, and it is reported the Navy is dredging and fortifying YULIN BAY in preparation for a probable naval base. The Japanese claim that these preparations are necessary for the complete blockade of the South China coast, and that such fortifications are temporary in nature and of no international significance. The international importance of strong fortifications on this Island however, are obvious.

The French in collaboration with the British have protested the Japanese occupation. It is reported that French cruisers have been ordered to patrol the PARACELS ISLANDS and that 35,000 soldiers have been stationed at various points in ANAM.

HAINAN ISLAND (CONT'D)

The Japanese, however, claiming military necessity, are continuing their occupation of the Island.

Japanese troops are proceeding along the coast, both on the north and south sectors, and aircraft are being used to bomb all the major towns on the Island.

The first Japanese Consul-General to reside on HAINAN ISLAND will be Mr. Tadashi Kasatani. He will leave CANTON on February 20th for HONGKONG.

TAICHOW BAY:

On the 16th the Japanese Imperial Navy notified the Third Powers through their respective consuls, that all foreign shipping must remain outside a 30 mile radius from the harbor of TAICHOW. This order is to have been effective on the 17th of February.

It is believed, however, that the Japanese are anxious to clear the harbor of foreign shipping, which they claim has been supplying the guerrillas with war materials enabling them to continue resistance in this area.

The Chinese are reported to have strong forces stationed at TAICHOW ever since the outbreak of the war. They also claim to have the TSLANG RIVER partially blockaded.

This harbor would make an excellent base for a penetration with the capture of the HANGCHOW-NANCHANG railway as an objective.

GUERRILLAS:

Japanese forces in southern HONGKONG, continuing their new strategy against guerrillas in North China, are reported to have encircled fifty thousand guerrillas under the command of General Lu Chung-lin.

KIHSIEN at the confluence of the HULU and HUTOU rivers has been cleared of guerrillas. A motorized unit which captured the town succeeded in cutting off the retreat of 2,000 Chinese attempting to evacuate HONGSHUI, on the right bank of the HULU river.

GUERRILLAS (CONT'D)

Chinese forces at TSACHANG, west of the railroad, and MU-KIANG, on the right bank of the HULU river are reported to be encircled by the Japanese forces who are increasing the pressure on Chinese guerrillas in this area.

While it is too early to predict the final outcome of the new Japanese tactics in dealing with the guerrillas, the past week in HCEMI has clearly shown the superiority of fighting the guerrillas in concentric circle fashion, rather than the independent column tactics the Japanese have employed for the last 18 months.

SOUTH CHINA:

A report from HONGKONG states that on the 17th Japanese forces occupied NAMTAU which is 3 miles from British territory. NAMTAU was originally occupied by the Japanese last November, but later they voluntarily retired.

AVIATION (JAPANESE)

A Japanese plane, while participating in the HAIKAI ISLAND Campaign, on February 11th, was forced to land on the southern shore of TENGMI BAY. With the assistance of villagers, the plane was salvaged.

SHENSI:

SIAN, Capital of SHENSI province, was raided, on February 13th, by Japanese aircraft. The Japanese raiders attacked Chinese military positions at the terminus of the "Red Route".

YUNNAN-KWANGSI:

Chinese authorities, anticipating more frequent Japanese air raids since the occupation of HAIKAI ISLAND by the Japanese, are attempting to increase air-raid defenses. In the southwest, caves are being prepared for use as air-raid shelters.

AVIATION (JAPANESE CONT'D)

HOKKAI:

NANYANG, Chinese base in southwestern HOKKAI, was attacked by Japanese Naval Aircraft on the 15th of February. Buildings of the Chinese Military Headquarters were damaged by the raiders.

CHEKIANG:

LANI, terminus of a spur of the CHEKIANG-KIANGSI railway, was attacked by Naval Aircraft on 15th of February. The attackers concentrated upon the station.

KANSU:

Japanese Army Aircraft, on February 12th, attacked a Chinese air-base at LANCHOW, "Red route" headquarters in southeastern KANSU on the YELLOW RIVER. The Japanese claim that 18 Chinese planes were shot down and 20 more were destroyed on the ground.

SOUTH CHINA:

Japanese Naval planes bombed PARKOI, Chinese positions on the peninsula of LIUCHOW, and different localities to the north of HAINAN ISLAND.

HAINAN ISLAND:

The Japanese forces advancing inland from the coast of HAINAN ISLAND have bombed the populace of several cities including WENCHANG, TINGAN, CHINCHIANG, YATHSIEN, LIESHUI and TENG-CHIAO.

HOPEI-SHANTUNG:

Japanese Army Aircraft inflicted heavy losses upon 2,000 Chinese troops operating at KWANTAO, on the HOPEI-SHANTUNG border, on February 15th.

AVIATION (CHINESE)

A report from Tokyo states that 45 French Aviators have been persuaded by Dr. Wellington Koo, Chinese Ambassador to France, to help reconstruct the Chinese air-force. French authorities later denied this report.

CHINESE AVIATION CONT'D:

Another report from HONGKONG states that 80 foreign aviators, mostly Russian and American, have arrived in YUNNAN and KWANGSI to join the Chinese air-force. This report should be taken with reserve.

On the 11th of February, 12 Chinese planes bombed BOCCA TIGRIS FORTS, near CANTON, and Japanese warships concentrated in the PEARL RIVER.

KWANGTUNG:

A Japanese military depot at SUNAI, seven kilometers north of CANTON, was raided by Chinese aircraft on February 11th.

SHANSI:

A Japanese airdrome at YUICHING, in southwestern SHANSI, was raided by Chinese planes on the 12th of February.

JAPANESE ARMY TROOPS MUTINY:

It is reported that a mutiny occurred on board a Japanese transport on the 26th of January, 1939. The report was that three Japanese transports loaded with troops at a South China port and sailed, presumably for JAPAN. However, the ships paralleled the China coast, and, upon reaching KWANGTUNG peninsula, turned westward, in toward TANGHU, which is located on the coast east of TIENTSIN. When this became known the soldiers on board one of the vessels mutinied, and the assistance of the Japanese Navy was requested. Two or three small naval vessels appeared and fired on the mutineers with ship's guns. The casualties and damage involved are not known. The ships subsequently turned about and sailed out to the high seas without touching TANGHU, and their destination is unknown.

TANKS AND TRUCKS:

It is reported that more than 100 motor trucks were shipped from HAIPIKING to China in a single day, out of 700 which have

TANKS AND TRUCKS CONT'D:

been received in HAIKONG during the past month. Observers believe that the speeding-up of the transportation of these trucks to the Kuomintang is in anticipation of a possible Japanese campaign following completion of the KUING occupation.

A Reuter report of February 15th, states that a consignment of 200 light tanks for China had arrived at RAIGOON aboard an American steamer.

KULING:

Lieutenant-Commander C.R. Jeffs, USN, and Commander Stafford of H.M.S. Ladybird are expected to proceed to KULING via LIEN HUA TUNG route on February 18th. Radio Station XRHA, in SHANGHAI, has been requested by the American Consul to broadcast the following message to foreigners residing in KULING on the afternoon and evening news-broadcast of February 17th. "The American Embassy expects that an American Naval officer will visit KULING on February 18th and that an opportunity will be presented to American citizens at KULING to leave for KUING. The Embassy urgently advises all those for whom departure is possible to utilize the opportunity thus provided". The Chinese authorities in CHUNGKING have given their consent for the evacuation of third party nationals from KULING. It is further stated that the KULING authorities have ordered Chinese forces on KULING hill to insure the safe passage of national's through their lines.

ECONOMIC:

An American observer in TOKYO reports that Japan's balance-sheet, at this stage of her war in China is so deeply in the red that the best Japanese economists believe that Japan's solvency is at least fifty years in the future.

ECONOMIC (CONT'D)

During the height of the fighting Japan was paying \$5,000,000 a day and the bill for the last 18 months is estimated at \$2,000,000,000. At the same time her foreign trade has decreased 21 percent entailing loss of markets that may never be regained, and crumbling industries that may never be revived.

It is only in the economic phase of existence that Japan lacks security. For example, steel. Here, Japan imports heavily from the United States. The Japanese steel industry is based almost entirely on a Bessemer process that requires about 50 percent steel or iron scrap to fabricate the metal. There have been years when Japan bought more scrap iron from America than all the rest of the world combined.

The Japanese, prior to 1932, saw in MANCHURIA the answer to their iron-ore problem. But Manchurian iron has been a disappointment. There are thousands of tons of iron sitting near MANCHOU-RIAN furnaces, while Japan continues to import ever increasing quantities. The inference being either that the native ore is too poor in quality, or too expensive, or both.

Coal is another essential. Tin, cotton, chemicals, and above all oil, are still others. Without these commodities, Japan is not an independent nation. She hopes that China will supply them all.

Japan looks upon the world as an agglomeration of tight economic blocs. The British Empire, buying and selling preferentially to its own component parts is one. The United States is another. These blocs can subsist without a cent of foreign trade. If necessary, its own market could support its industries, and its own natural resources could supply these industries. Neither of these two blocs needs any outside assistance, particularly in times of emergency.

That is what Japan is determined to have. This is why she is trying so desperately to hammer China into an "East Asia bloc" composed of Japan, Manchoukuo and occupied China. For it is in China's teeming millions that Japan sees a vast market for her finished products, and in China's wide territory an unlimited supply of raw materials for all her industrial needs.

The pinch of these efforts is showing, today, in some curious places. For example, the government allotment for tennis balls (for some 1,500,000 players) in February, is 50 dozen. A Japanese shoe store recently advertised: "Limited orders for all-leather shoes are again being accepted".

It is only the blind patriotism of her people, that has permitted Japan, a comparatively poor country, to conduct the unbelievably expensive war in China. Defying all the laws of economics, and refuting the experts who claimed that Japan couldn't finance a six-months' war.

MISCELLANEOUS:

SHANGHAI BADLANDS:

Western SHANGHAI this week continued deserving of the name "the badlands." LAU KA TU, the area between Jessfield and Brennan Roads, appears to be the 'hot-bed' of most of the trouble.

The Municipal Council states that it is impossible for the Police satisfactorily to cope with terrorists outrages unless greater cooperation is received from the Japanese authorities in cleaning up the areas adjacent to these roads, and outside the Council's jurisdiction, where there exists over 20 gambling dens and no less than 18 opium hongs. The Council further claims that it is known that a large number of these establishments are operating under Japanese protection. These areas have become the headquarters of criminal gangs which operate from these areas and, after committing outrages in the Settlement or on Council Roads, escape back to these areas.

The Japanese reply to the above was that there is no clearly established connection between what is going on in the Western District and the terroristic activities in the Settlement. The Japanese authorities claim that they have been unable to clean up the Western District because of the marked lack of cooperation from the Shanghai Municipal Police. They cited as an example of this lack of cooperation the refusal of the Council to agree to a reorganizing of the station of the Police administration of the Special Shanghai Municipality on Great Western Road.

A Japanese newspaper recently stated that much of the lawlessness in the Western Area is the result of the closing of the Municipality Sub-station on Great Western Road on January 5th by British Military authorities.

Mr. Fu Siao-en, Mayor of the GREATER SHANGHAI SPECIAL MUNICIPALITY, on February 17th, is reported to have made a protest against the terrorism wave to the Council. As a remedy he advocated the immediate transfer of the First Special Area District Court to the new administration.

COUNTERFEIT BANKNOTES:

According to a Chinese report a large number of counterfeit banknotes have made their appearance in Shanghai. The margin of the counterfeit notes is wider than that of genuine notes and the lines are coarse and awkward.

Another Chinese report is to the effect that Japanese soldiers were lately issued with 3 months pay in arrears of which a portion is in banknotes of the Puppet Regime. The Japanese soldiers are now using these banknotes to make purchases.

SHANGHAI'S FOREIGN TRADE:

Shanghai's foreign trade last month experienced a strong increase in value and volume. Imports rose by 15 per cent and exports by almost 10 per cent. The chief import increase was in

SHANGHAI'S FOREIGN TRADE CONT'D:

raw cotton. Exports rose mainly in silk and silken goods. Japan occupied first place in Shanghai imports, her share reaching, 27 percent, followed by the United States with a 20 per cent.

RUSSIAN JAPANESE BORDER DISPUTE:

Two new border clashes occurred on the western frontier between Manchoukuo and Soviet Union troops in the past week. One Japanese patrol at KILALIN on the ARGUN RIVER was allegedly fired on by Soviet soldiers from across the ARGUN RIVER on the 13th, while another encounter took place at the same place the next morning. KILALIN is approximately 265 kilometers northeast of MANCHOULI and is about 120 kilometers northeast of NGVOTSEBUIHATUI where a similar incident occurred on February tenth.

A report of the thirteenth states that a Soviet fighting plane flew over MANCHOUKUO territory east of MANCHOULI. The plane made circular flights for 10 minutes at an altitude of approximately 1,000 ft. It later disappeared in the direction of the Soviet barracks at ATAFOL, near MANCHOULI.

Observers this week turned grave attention to the SOVIET-MANCHOUKUO border region where, despite absolute lack of reliable reports that either side is massing more troops along the border the possibility of hostilities there are admittedly greater than any time since CHANGCHUNG.

Observers are prone to discount recent border incidents in the vicinity of MANCHOULI holding they mean no more than over eight hundred such squabbles since 1931, any one of which could have been expanded into war if desired.

JAPAN'S recent occupation of HAIKIAN ISLAND is considered as the completion of her south-western expansion strategy. With the Navy holding down the southward flank the Army may now be concentrated in the north.

Concerning the number of Japanese troops north of the YELLOW RIVER a fairly reliable estimate is that there are between 26 to 32 divisions in that area, numbering approximately 600,000 men. It is believed that approximately half of this number are in MANCHOUROU.

An unconfirmed Japanese report states that the Siberian Army was recently split into two separate corps following the reported disappearance of General Vasily Bleucher. The ensuing weakness and confusion is alleged to have demoralized the Siberian forces.

RUSSIAN-JAPANESE FISHERY DISPUTE:

The past week witnessed no definite developments in the dispute between Russian and Japan over fishery rights. One of the reports concerning this dispute states that the Japanese fishing concerns would not participate in an auction of stabilized lots scheduled for March 15th in VLADIVOSTOK unless an "agreement" had been reached beforehand.

A spokesman for the Japanese Navy Ministry was credited with saying that the government was firmly determined to assume "a vigorous attitude" in upholding its fishery rights. The Navy, he continued, would uphold the government's decision.

The negotiations have been deadlocked since the end of January. Meanwhile, the Soviet authorities announced that they would put to auction fishery lots on March 15th including those hitherto reserved for Japanese, despite Japan's repeated requests for the maintenance of the status quo pending the conclusions of a fisheries convention.

Unless the Soviet Government reconsiders its attitude the only alternative left to Japan will be to exercise her treaty rights in fishery, namely "free fishing," it is claimed.

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



166

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

JSM/am

HEADQUARTERS, FOURTH MARINES
SHANGHAI, CHINA

25 February, 1939.

DECLASSIFIED
E.O. 11652, Sec. 3(E) and 5(D) or (E)
OSD letter, May 3, 1979
By [Signature] NARS Date 1973

RESTRICTED:

R-2 REPORT, PERIOD 0800 18 FEBRUARY, TO 0600 25 FEBRUARY, 1939.

TAICHOW BAY:

Japanese Naval Authorities are continuing operations against the Port of HAIMEN. During the week they sank, by gunfire, the Chinese boom of old ships, constructed across the mouth of the LING river.

The Chinese batteries protecting HAIMEN fired on the ships for two and a half hours on the afternoon of the 18th with no effect.

Two Japanese warships crossed the sunken boom and engaged the Chinese land batteries, protecting the city. After destroying the land batteries the Japanese are reported to have withdrawn into the bay without landing.

Most of the civil populace have evacuated the town going to WENCHOW or NINGPO.

The object of this TAICHOW BAY operation is not clearly understood. The terrain back of the city towards the interior is very mountainous, and such roads as there were, have been previously destroyed by the Chinese. The only logical objective in this area is the HANGCHOW-NANCHANG railway. This objective could be more easily achieved by the way of WENCHOW south of HAIMEN and in an excellent bay. WENCHOW is connected by bus route over an excellent road to the city of KINWA on the HANGCHOW-NANCHANG RAILWAY.

HAINAN ISLAND:

The military operations on HAINAN ISLAND, with the exception of scattered bombings in the interior, has for the last week been at a standstill.

HAINAN ISLAND CONT'D:

Of interest is the information that the Americans have the greatest share of foreign interests on the Island. Most of the American undertakings are cultural in nature. The Gospel Hospital at HCHCW, managed by Dr. Bercovitz an expert on tropical diseases and epidemics, has a yearly average of 20,000 patients, 650 of which are maternity cases.

The Leper Asylum at SINYING, six miles west of HCHCW is also an American undertaking with 250 patients.

The chief American business enterprise is the Standard Oil Co. which is the sole supply of petroleum products on the island.

Foreign interests in HAINAN Island however, are small, while the natural resources of the Island are practically untouched.

AVIATION (JAPANESE)

HONGKONG:

SHULCHUN, a town near the border of British leased territory, was attacked by Japanese aircraft on February 22nd. Military establishments, the wireless station and the CANTON-HOWLOON railway station were damaged.

CHEKIANG:

On Wednesday, February 22nd, Japanese Naval Aircraft attacked Chinese military supply bases in central CHEKIANG.

Japanese Naval Aircraft inflicted heavy losses upon barracks, military establishments and station godowns on February 22nd, located at CHUKI, 50 miles south of HANGCHOW on the CHEKIANG-NANCHANG railway.

A fortress at CHENHAI, 18 kilometers north east of NINGPO, and stores of military supplies at TAICHOW, northwest of HAIKUN, were destroyed on the same day.

AVIATION (JAPANESE CONT'D)

KANSU:

Japanese Army Aircraft carried out a mass bombing attack on LANCHOW, on February 22nd. The Airdrome and Chinese military establishments were damaged in the attack. Earlier in the day, PINGLIANG, 250 kilometers southeast of LANCHOW, and PACCHI, the western terminus of the LUNGHAI railway, 160 kilometers west of SIAM, in SHENSI, were raided by Japanese Army Aircraft. Military establishments suffered severe damage in this attack.

At LANCHOW, the raiders were engaged by 26 Chinese pursuit planes, but no Chinese planes were seen at PINGLIANG or PACCHI, either on the ground or in the air.

Japanese Army aircraft, while bombing LANCHOW on Monday, February 20th, were engaged by 50 Chinese planes of the Soviet type. The Japanese claim that 36 Chinese planes were destroyed and that most of them were manned by Soviet aviators. The Chinese claim 9 Japanese planes were shot down, and that only three Chinese pilots were slightly wounded in the attack.

Japanese aircraft staged another raid upon LANCHOW, capital KANSU province, on February 23rd. Japanese Officers participating in the raid believe that a heavy blow was inflicted against Chinese efforts to reorganize an air force by obtaining planes of Soviet and American make.

American Seversky single-seated fighters, appearing for the first time, and a number of Curtiss-Hawks together with Soviet-built I-15 and I-16 planes, numbering between twenty and thirty met the Japanese raiders as they appeared over the city.

American Douglas bombers, additional Seversky machines and Soviet-built TB bombers were claimed to have been destroyed while still on the air field.

KANSU CONT'D:

Japanese Officers, because of the furious "dog-fight", were unable to ascertain just how many Chinese planes were shot down because of several conflicting reports.

The total number of Chinese planes concentrated at LANCHOW was placed at 70 machines, by the Japanese authorities.

Japanese authorities state that all Japanese planes returning to their bases had numerous bullet holes in them. The greatest number being observed was 153.

It is believed that the Japanese aim in bombing LANCHOW is to prevent Russian supplies from reaching CHINA via LANCHOW.

Chinese reports are at great variance with the Japanese in regards damages inflicted and planes shot down. It is still too early to give a correct estimate.

Japanese planes bombed the business section of ICHANG, in HUPH, on February 21st. Casualties were placed at 600 dead and wounded.

HUPH:

Eighteen Japanese planes are reported to have bombed a Missionary building at KINGLEN, on February 24th. No casualties were inflicted.

CHINESE AIR FORCE:

Definite reports have been received that the French aviators have been relieved from the Chinese Air Force. It is believed that all other foreign aviators, excepting the Russians, have also been relieved.

If such is the case, China must be availing herself of the Russian offer to take over active control of the Chinese Air Forces. The Japanese admit during the past week that they met strenuous Chinese opposition in the air, and that most of the planes employed were of Soviet construction.

KULING:

Late in November, last year, the Japanese authorities, having decided upon the advisability of having all third-party nationals leave the KULING resort, sent representatives to KIULIANG to confer there with American and British officials. Forty three third party nationals availed themselves of the opportunity at that time.

Last Wednesday, February 22nd, forty-three more KULING evacuees descended MOUNT LUSHAN to KIULIANG where they went aboard the Japanese transport NARUTO MARU which sailed for SHANGHAI the next morning. Of the forty three seven are Americans.

It will be of interest to see what military action the Japanese Army will take against the Chinese soldiers holding out in the MOUNT LUSHAN area. There is only one land route leading up to the resort and this is a narrow trail which becomes treacherous during the winter months. Airplane bombing and artillery shelling will probably be relied on to rid the area of Chinese troops and allow Japanese infantrymen to occupy the enemies positions. However, there are numerous caves in the hillsides which will afford excellent protection for the defenders. The cost in Japanese lives and munitions used in the coming operation should be considerable.

Concerning the food requirements of these third party nationals remaining in KULING there is a six months supply of wheat, rice and tinned foods on hand. The supply of meat, milk, eggs and vegetables is now sufficient but uncertain. The Americans are concentrating in and around the American school. Concentration areas are clearly outlined with white borders.

Of the fifty five third party nationals staying in KULING eleven are Americans, four are Swedish, 2 are Germans, one is Swiss and thirty seven are British. Of this number eight are invalids and eighteen are seventy years of age or more.

KULING (CONT'D)

There are fifty-five foreigners remaining at KULING. The Japanese Army states that it cannot be held responsible for any injuries these foreigners may sustain as a result of military operations and that it will be unable to accord full protection to their property.

MISCELLANEOUS:

TANKS:

It is reported from RANGOON that preparations are being rushed to convey between 100 and 200 tanks to China through RANGOON and LASHIO. The modern tanks were unloaded, the report states, from the American steamer STEEL ENGINEER and probably will be sent to LASHIO by rail. Forty-five empty trucks left RANGOON on February 18th on the first leg of a trip that will carry them to YUNNAN. They will load consignments of munitions at LASHIO and transport them to Chinese territory. Quantities of field guns are to be sent in trains to LASHIO where they probably will be placed aboard the trucks which left yesterday.

RUSSIAN-JAPANESE BORDER DISPUTES:

According to a Chinese report from CHUNGKING the Japanese are building modern underground defenses similar to France's Maginot Line. The defenses were understood to be on a line north of KAILAN (170 kilometers northeast of PEIPING) and DOLUN NOR (255 kilometers north of PEIPING), and are designed to protect PEIPING and TIENTSIN against a possible Russian invasion.

CHUNGKING:

Japanese incendiary bombs have, during the last two weeks, caused widespread destruction and hundreds of deaths. Fires resulting from incendiary bombs have been the cause of much of the devastation and of many of the deaths.

Fears of incendiary bomb raids on CHUNGKING are mounting daily. There are at present 530,000 people packed like sardines into this small city, the present seat of the National Government. Flanked by the YANGTZE and CHIANG RIVER, CHUNGKING contains

CHUNGKING (CONT'D)

houses which are of the most flimsy construction, closely grouped together, without any open spaces between them, and with few wide streets. Every household is being required to have on hand a large supply of sand. There is a possibility that many of the buildings in the more crowded sections may be torn down as a means of arresting the spread of flames. Office hours of most of the larger Chinese foreign institutions have been fixed for the afternoon only as air raids are considered least likely at these hours.

HAIPHONG:

It is reported that the French Indo-China authorities have banned the unloading of arms at HAIPHONG during the past two weeks, taking action immediately after the Japanese landing at HAINAN. Seven or eight foreign ships are reported to be standing by in HAIPHONG harbor without the prospect of having their cargo unloaded. The ban is being enforced in pursuance of instructions from PARIS, it is said.

RUSSIAN-JAPANESE FISHERY DISPUTE DEBLOCKED:

After repeated conferences between Maxim Litvinoff, Soviet Foreign Minister, and Shinerori Togo, Japanese Ambassador, the Soviet-Japanese fishery dispute still remains unchanged. A severe note was struck by the Japanese Ambassador when he warned Maxim Litvinoff that Japan "will protect Japanese Fishing and use every possible means to do so". The Soviet Government still remained firm in their determination to auction fishing grounds used by Japan on March 15th. However, further conferences are expected to take place in an effort to arrive at a satisfactory conclusion to the issue. One point brought out by the Japanese Ambassador was that Japan would not participate in the open auction and demanded that negotiations be made to determine the rights of Japan and Soviet Russia to a distribution of fishing grounds.

Developments of international importance should soon be seen in this dispute.

J. S. MONAHAN
Major, U.S. Marine Corps,
Regimental Intelligence Officer.

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

5498

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 13, 1939.

Reference Chungking's 223, March 29, 2 p.m., and its undated, unnumbered telegram received 4:30 a.m., March 12, 1939.

With regard to the question whether we should, as a matter of record, make some reservation of rights with regard to the closing of the port of Haimen, Mr. Ward in Le was consulted. He said that any measure which might be reasonably construed as a measure of defense by the Chinese Government should not be protested by this Government unless it could be clearly shown to be an unnecessary or intolerable deprivation of or interference with important American interests. He said that he did not feel that the Chinese Government's action in closing the port of Haimen warranted a protest or reservation of rights on the part of this Government. With regard to Chungking's telegram reporting that the Chinese Government has taken similar action with regard to Ningpo, Mr. Ward stated that he felt, for the reasons stated above, that no action should be taken by us. Mr. Ward observed that there appeared to be little or no likelihood that a protest would have any effect or that a reservation of rights ~~was~~ needed to protect our position in the future.

793.94/14845

I concur in foregoing statement

FE:Vincent:REK *AAA* *new* *10* *Jan* *my m. 14*

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

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

TELEGRAM RECEIVED

FROM

EG

GRAY

Chungking via N. R.

Dated March 29, 1939

Rec'd 11:40 p.m.

Secretary of State,
Washington.

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

223, March 29, 2 p.m.

Following is Embassy's translation of a (*) from the Ministry of Foreign Affairs dated March 28 and received today:

"The Ministry of Foreign Affairs presents its compliments to the American Embassy and has the honor to state that it has received a communication from the Military Affairs Commission to the effect that Japanese naval vessels are constantly creating disturbances in the Haimen region of Chekiang province, thus rendering it impossible for merchant vessels to pass, that, in order to avoid incidents, the area was blocked beginning March 26, and that warships and merchant vessels of all nationalities are not permitted to proceed thereto.

The Ministry, in inditing this note for the Embassy's information, has the honor to request that

the

793.94/14845

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

15500

-2- #223, March 29, 2 p.m. from Chungking

the American Embassy instruct all warships and
merchant vessels under its jurisdiction to take note."

Shanghai and Hong Kong please communicate the
substance of foregoing to appropriate American naval
authorities and shippers.

Sent to Shanghai, Hong Kong. Repeated to
Peiping, Foochow.

PECK

RR

(*) Apparent omission

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

TELEGRAM RECEIVED

FROM

JR

GRAY

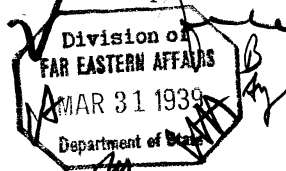
Foochow via N. R.

Dated March 30, 1939

Rec'd 2:53 p.m.

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

Secretary of State,
Washington.



March 30, 2 p.m.

793.94
Provincial Government informs me that Japanese warships yesterday afternoon shelled Tinghai near Lienkang thirteen miles from Foochow firing about eighty shells. No attempt was made to land troops and no casualties are reported.

Sent to Chungking; repeated to Peiping.

ROWE

DDM:HPD

APP. 11 MAR 31 1939

793.94/14846

F/FG

1670

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

copy sent to
Treasury in confidence

TELEGRAM RECEIVED

15501

EG

GRAY

FROM

Chungking via N. R.

Dated March 31, 1939

Rec'd 9:32 a.m.

793.94

Secretary of State,
Washington.

230, March 31, noon.

Reference Embassy's 214, March 27, 5 p.m.

Division of
FAR EASTERN AFFAIRS
MAR 31 1939
Department of State

One. The Chinese press publishes for the first time today reports of the loss of Nanchang and Wuning but alleges that the effort cost the Japanese 15,000 casualties. It appears that the Japanese forces pierced the weakest section of the Chinese defenses between Yunghsiu and Wuning and actually entered Nanchang from the south.

Two. The Chinese recognize that the fall of Nanchang (for which they were prepared) will greatly increase their difficulty, especially in maintaining communications with Chinese forces operating in Kiangsu, Chekiang and Anhwei; they also admit that Nanchang offers the Japanese an excellent base from which to launch military operations to the east, or west. But they maintain that as in the case of Hankow and Canton the loss of Nanchang is not vital and will have no significant bearing on the policy of resistance.

Three.

793.94/14847

067

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

15502

-2- #230, March 31, noon from Chungking

1073
5/4/31?
THREE. The feeling continues generally to exist
that the next Japanese offense will be launched against
Changsha possibly
~~China's possessions~~ in conjunction with a drive up the
Canton Hankow Railway from Kwangtung in order to gain
full control of that railway. Some observers believe,
however, that the Japanese will for the present confine
themselves to an endeavor to consolidate their position
in Central China after which they plan to withdraw a
portion of their forces for attacks on the lines of
China's communications in the northwest and southwest.

Repeated to Peiping.

PECK

KLP:CSB

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

DOCUMENT FILE

NOTE

SEE 846d.00 P. R. /72 FOR Despatch #267

FROM Singapore (Cookingham) DATED Feb. 24, 1939
 TO NAME 1-1127

REGARDING: Asiatic situation. Sino-Japanese relations.
 In light of the recent Japanese aggression in Chinese
 territory the Malayan press has published its strongest edi-
 torials on the general subject. Quote editorial in the "MALAY
 MAIL of January 19.

793.94 / 14848

fpl

14848

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

-7-

ASIATIC SITUATION.

In the light of recent Japanese aggression in Chinese territory the Malayan press has published its strongest editorials on the general subject of Japan's aims in China and the Far East and on the specific tactics which Japan is employing with a view to attaining the objectives.

On the notes presented to Japan in January by the American and the British governments the following excerpt from an editorial published on January 19 in the Malay Mail on "A Warning and An Invitation" is characteristic comment, apparently expressing the general point of view in Malaya:

"Firmly worded though both the British and United States' recent notes have been, they might with every degree of justification have been very much firmer. There has been provocation enough in all conscience, in face of which the two Governments have shown admirable restraint in their latest representations to Tokyo. The notes go further than to express with the utmost emphasis that neither the British nor the United States Government can accept the future Japanese policy toward China as outlined by her two principal spokesmen, involving as it does the unilateral repudiation of the Nine-Power Pact. They have left the door open to Japan to retreat, without any very considerable loss of face, from the position she has taken up. In almost identical language the two Governments have expressed their readiness to negotiate. Japan has been invited to make constructive suggestions regarding modification of the Nine-Power Pact and any other treaty relating to China, and both Governments have stated their willingness to give sympathetic consideration to these suggestions. It will be the height of foolishness on Japan's part if she ignores the invitation or seeks to temporise by qualifying her acceptance of the invitation by endeavouring to lay down conditions, such as those hinted at in unofficial reports from Tokyo yesterday, which are very much wider in scope than and have little relation to the question of respect for China's sovereignty and the rights and interests of third Powers in China.

"There is no hint in the British and American notes of the consequences of Japan's disregard of these joint representations. Yet there exists evidence of the probable nature of those consequences which Japan cannot disregard.

At

-8-

At the time of the presentation of the American note there was much talk in Washington concerning the powers of President Roosevelt to take economic action of the most drastic kind against Japan, and there were authoritative indications of the probability of such action being taken if public opinion was strongly in support of economic retaliation. Since then, also, it has been freely suggested in the British press that the British Government has had under consideration various measures which might usefully be taken to call a halt to Japanese encroachment. It is probably quite true that the British Government, as has been authoritatively stated, is not considering putting into force any such measures at the present time, but, in view of the unanimity of British press opinion on the point, it seems quite clear that the eventuality is one which cannot by any means be ruled out. The British Government, following its policy of endeavouring to effect a settlement of international problems by negotiation, will be reluctant to adopt any such measures as economic retaliation against Japan, such as the imposition of an embargo upon Japanese imports into the United Kingdom and the British colonial territories. But British patience is not inexhaustible and now that a stage has been reached where Britain, the United States and France are obviously walking in step in their policy in the Far East, Japan can hardly be blind to the danger that persistence in her present provocative course will eventually be attended by consequences which will deal a drastic blow to her overseas trade, which is her most vulnerable point. In all these circumstances, therefore, Japan will be wise not to ignore the 'open door' which Britain and the United States have left invitingly ajar, through which she may, along the path of negotiation, arrive at a friendly settlement of the Far Eastern dispute. There is a hint of finality about the London and Washington notes, a suggestion that patience is running short, and that the onus is now upon Japan to avoid the inevitable consequences of persisting in her ill-conceived policy."

More recently, the Japanese landing on Hainan Island called forth leading articles such as that published on February 14 in the Malaya Tribune under the caption "Warning to the Powers", of which an excerpt follows:

"So far the policy of France and Britain in face of the Hainan coup has been, on the surface, one of masterly inactivity. An open clash with the Japanese is naturally to be avoided if possible in view of the possibility of Japan's allies in Europe being drawn in,

but

DECLASSIFIED: E.O. 11652, 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-

but the time will come when the issue will have to be squarely faced. Preparations in view of possible eventualities are proceeding with all possible speed. What is certain is that if territory in the possession of Britain and France is directly challenged and if trade is interfered with the necessary action will be taken to protect British and French interests. Japan will not be permitted to dominate the Far East in the manner to which she aspires, and the resistance which has been offered by China alone should convince her of the folly of her designs. The latest developments also should convince the Powers with interests in the Far East of the necessity of giving China the fullest support in her gallant fight."

In support of China's military measures against the Japanese invaders the press is outspoken, publishing at length a message from Madame Chiang Kai-shek to Malayan Chinese commending China for its armed resistance. The Malaya Tribune, in an editorial entitled "Bristling With Difficulties", said on January 9 regarding the leaders in China:

"They know that they have the sympathy of the world, but sympathy alone is not enough and they cannot fail to draw their own conclusions from the fact that, in spite of all the pacts and covenants, in spite of all the promises in the name of the League of Nations, they have been left alone to fight their battle against a powerful invader.

"The request which China makes for assistance is an extremely moderate one. It was expressed in the striking message addressed to the Chinese in Malaya by Madame Chiang Kai Shek, a message which again voiced the firm intention of the Chinese people to fight on until the invader is repelled. 'Everything depends', she said, 'on our ability to acquire the necessary equipment and munitions to continue our resistance. If the democracies will see that we are provided they need not think of having to sacrifice the life of one man. We have proved that we can do the fighting. Our soldiers face the terrible concentration of Japanese weapons with a courage and resolution that no one ever thought the Chinese army could possess.'

"We can all admire the courage of this statement that China seeks no direct war aid from other nations. All China asks is for a continuance of the supply of arms and munitions, and this friendly nations will make every effort to effect. It remains to be seen, however, whether in their own interests they will consider the necessity of bringing economic pressure to bear upon Japan."

The

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

-10-

The grant of credits to China by the United States and Great Britain has been warmly applauded in this predominantly Chinese city of Singapore, as throughout Malaya; and local interest in the results of the recent "polls" in the United States of opinions on world events and relationships has been very marked. The Straits Times published on February 14 a leading article entitled "Dramatic Changes in the U.S.", which commented on and endeavored to interpret the Fortune survey of January. In "America and Fascism", the Singapore Free Press, under date of January 6, wrote editorially of President Roosevelt's speech to Congress:

"America, with its great tradition of freedom of speech, liberty of conscience and its faith in culture and modern civilisation, cannot fail to respond to that appeal. Analysed, President Roosevelt's speech amounts to affirmation of the statement of Senator Pittman, chairman of the Foreign Relations Committee of Congress, a week or so ago, that the people of the United States do not like the government of Japan or the government of Germany, and are opposed to any form of dictatorial government, Communist or Fascist. Senator Pittman's other point that the people of the United States have the right and power to enforce morality and justice in accordance with the peace treaties, 'and they will,' was also affirmed by the President. "Here, then, is further evidence of the gradual stiffening of American opposition to the dictator countries. When Mr. Cordell Hull speaks in Washington on the Lima Conference, perhaps he will reveal more of the plans which Germany and Italy made to sabotage that meeting of the American republics. The work of Fascist and Nazi agents at Lima proves conclusively that the European totalitarian regimes have political, if not territorial, designs on the American continent. The American attitude to the great world problems of today is of supreme importance to Great Britain and France who in Europe must bear the brunt of the Fascist assault. It is the most significant because, contrary to the view in Europe that peace can be preserved if the democratic front is strengthened and maintained, the popular belief in the United States is that war is inevitable and may perhaps break out during the

present

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

-11-

present year. American participation in a purely European war is unlikely, but it is difficult to see how such a struggle today could be isolated. America would find it well nigh impossible to keep out of a world war, if it came, and recognition of that fact is behind all that President Roosevelt said."

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

DOCUMENT FILE

NOTE

SEE 853e.00/9 FOR Despatch # 401

FROM Hong Kong (Southard) DATED Mar. 3, 1939.
 TO NAME 1-1127 ***

REGARDING: Alleged negotiations in Tokyo with a view
 to Portuguese and Japanese cooperation in
 the colony of Macau: Transmits editorial
 comment from the SOUTH CHINA MORNING POST
 of March 3, regarding --.

aa

793.94 / 14849

753.94
 14849

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Tsinan/114 FOR Despatch # 44 to Embassy.

FROM Tsinan (Hawthorne) DATED Mar. 6, 1939.
 TO NAME 1-1127 GPO

REGARDING: Sino-Japanese relations: Report concerning -,
 for month of February, 1939.

aa

793.94 / 14850

14850

DECLASSIFIED: E.O. 11652, 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. Japanese Military Successes.

79394
(2-5)

In addition to the reoccupation of Lintsing (臨清), in western Shantung, on February 4th, the Japanese claim the capture of four other towns in that section of the province, namely, Kwantao (館陶) and Kwanhsien (冠縣) on February 17th, Yangsin (陽信) on the 21st and Yangku (陽穀) on the 26th. They have also announced the capture of Kinsiang (金鄉), in southwestern Shantung, on February 26th, and T'anch'eng (鄭城), near the southern border of the province, on the 27th. Furthermore, there

was

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1. See Consulate's despatch to Department, no. 10, February 6, file 400, and Embassy's despatch no. 1854, January 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

- 3 -

was some evidence that the Japanese are carrying out the policy announced in January of garrisoning all important places for an indefinite length of time. In this connection, an American citizen wrote the Consulate following the recapture of Lintsing, that "this time it looks as tho they intended to remain."¹

In fact, it has become evident, even to the most prejudiced observers, that the Japanese are gradually but effectively extending the influence in Shantung of the puppet Government at Peiping. By the end of February Ishui (沂水) haien, in central Shantung, the contiguous counties of Mengyin(蒙陰) and Chuhsien (莒縣) and the coastal county of Jihchiao (日照) comprised the largest area in this consular district which could be considered "unoccupied" territory. And even this region is devoid of any important organized resistance to the Japanese, who are in control of the surrounding areas,

Japanese methods are anything but admirable, but their tenacity of purpose cannot but command respect, and must eventually triumph over Chinese resistance, passive or otherwise, in this part of China. To obtain control of this district has cost Japan millions of yen and to maintain that control will be a costly undertaking for years to come. But is it not possible that Japan's vampire policy in China will, in the long run, enable the Japanese to liquidate their war debt at the expense of China and foreign interests in this country? The fruits of the Japanese victory in Shantung include rich

iron

1. See Consulate's despatch no. 39, to Embassy, February 15, file 800.

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

- 4 -

iron and coal deposits and extensive salt producing areas, not to mention a fertile agricultural region. Mr. Owen L. Dawson, United States Agricultural Commissioner to China, once said that Shantung is probably "noted for" more agricultural and farm products than any other region of similar extent in the world. Some of these are peanuts, cotton, wheat, tobacco, cabbage, fruits, eggs, beef, hog bristles, strawbraid and silk cocoons.

Japanese schemes for road development not only exist on paper, but are being executed. And why not? With Shantung's unlimited supply of cheap labor, road construction (even assuming that labor is paid for and not impressed) is probably as cheap as anywhere else in the world. And improved transportation facilities are necessary not only for economic exploitation but for military purposes; lack of communications has been the greatest handicap to Japanese efforts at "bandit-suppression" in this part of the country.

b. Guerrilla Activities Decrease.

A subsidence of guerrilla activities was evidenced by the regularity of railway traffic. Train service to Tientsin is known to have been disrupted for one day, and at least one wreck occurred on the Tsingtao-Tsinan Railway, but traffic on the latter line was generally maintained according to schedule throughout the month.

c. Japanese Threaten Slaughter of All Able-bodied Men in Villages Harboring Guerrillas.

To curb future resistance, the Japanese Army Headquarters in Tsinan published a Proclamation on February

17th

DECLASSIFIED: E.O. 11652, 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 -

17th warning the people that, in addition to the destruction of such villages, the Japanese intend to slaughter all male inhabitants between the ages of 12 and 40 of villages found to be harboring guerrillas.¹

d. Anti-Communist Volunteer Corps Organized by Japanese.

An "Anti-Communist Volunteer Corps" was organized, under the auspices of the Commander of the Japanese Precautionary Forces, in February, and members thereof were stationed in the smaller villages and hamlets in the vicinity of Tsinan not actually garrisoned by Japanese troops. They were likewise observed on duty along the Tsingtao-Tsinan Railway between Changtien (張店) and Tsinan, where they are armed with spears or staffs and stationed within sight of each other, presumably to enable them to relay a warning to the nearest Japanese detachment should guerrillas appear. To make up this "Corps" each hamlet is required to furnish at least four men, or Chinese \$200 to pay hired substitutes.

7685

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

DOCUMENT FILE

NOTE

SEE 851G.014/8
893.014/230 FOR Tel # 158, 4 p.m.

FROM Japan (Grew) DATED Mar. 31, 1939.
TO NAME 1-1127 ***

Sino-Japanese relations.

REGARDING: Sprattley Island has been placed under
jurisdiction of the Governor of Taiwan.
This island has been claimed by both
Great Britain and France, but France was
now holding the title. The island is
important as a post of observation of naval
and aerial movements from Singapore.

aa

793.94/ 14851

793.94
14851

DECLASSIFIED: E.O. 11652, 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
This message must be
closely paraphrased before being communicated
to anyone. (Br)

Hong Kong via N. R.

Dated April 1, 1939

Rec'd 4 a.m.

Secretary of State,

Washington,

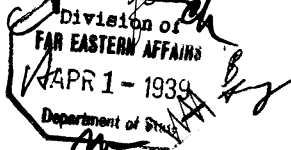
106, April 1, 10 a.m.

I have been informed by the Commissioner of Chinese Maritime Customs here that Pakkai has been occupied by the Japanese but that Kongmoon is still in Chinese hands. The Commissioner of Customs at Pakkai is an American citizen, E. T. Williams and I have asked the Japanese Consul General here to request Japanese military authorities to afford necessary protection to Williams. Messages received in Macao state that provisions are urgently required at Pakkai.

Repeated to Canton, Chungking, Shanghai, and to Peiping for information, of Tokyo.

RR:RGC

SOUTHARD



793.94/14852

APR 10 1939
FEB 10 1939

F/FG

0691

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

CONFIDENTIAL

Confidential

P A R A P H R A S E

A telegram (no. 106) of April 1, 1939, from the American Consul General at Hong Kong reads substantially as follows:

Although Kongmoon is still held by the Chinese, the Japanese have occupied Pakkai, according to information received from the Commissioner of Chinese Maritime Customs in Hong Kong. Messages have been received in Macao to the effect that there is urgent need in Pakkai for provisions. The Consul General at Hong Kong has asked the Japanese Consul General there to request the Japanese military authorities to give adequate protection to Mr. E. T. Williams, the Commissioner of Customs at Pakkai, who is an American citizen.

793.94/14862

S.G.C.
FE:EC:HJN
4/3

KFE
KFE

169

DECLASSIFIED: E.O. 11652, 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

RFP

FROM GRAY

Canton via N. R.

Dated April 1, 1939

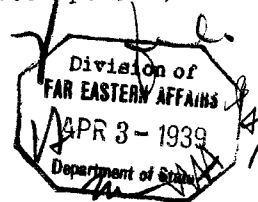
Rec'd 2:32 p.m.

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

Secretary of State

Washington

41, April 1, 1 p.m.



793.94
me
593.115

Owing to the rumored occupation of Kongmoon
several days ago by Japanese forces this office in-
quired of the Japanese authorities as to the safety
of American residents there, at which time it was
learned that the report was premature. Last evening
the local customs authorities brought to my attention
a report from Macao to the effect that Edward T.
Williams, American citizen and commissioner of customs,
together with several members of staff were marooned
at the customhouse at Kongmoon and were in urgent need
of provisions. This situation with an appropriate
request for protection was brought to the attention
of the Japanese authorities last night. This morning
the Japanese informed me that their forces occupied
Kongmoon yesterday afternoon and would advise me as to
the safety of American citizens there as soon as the
information can be obtained.

Confidentially

793.94/14853

F/FG

769
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

RFP -2- #41, April 1, 1 p.m. from Canton

Confidentially it has been learned that further
military operations in that area are to be expected.

Repeated to Chungking, Peiping, Hong Kong.

MYERS

NPL

169

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Hankow/139 FOR #560

FROM Hankow (Josselyn) DATED Feb 10, 1939
TO _____ NAME _____ 1-1127 ***

REGARDING: Sino-Japanese military operations: developments for the month
of Jan., 1939, in summary.

793.94 / 14854

FRG.

14854

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

1. Military Operations.

793.94
Pg 5-6

The Central Yangtze front was comparatively quiet during January. The Japanese, with only limited forces at their command, confined their efforts to sporadic mopping-up campaigns, minor offensives in the vicinity of Chingshan (京 山) and Tienmen (天 門) and besieging the Chinese partisans surrounded on the upper levels of Kuling, Kiangsi. None of these activities produced conclusive results. The considerable bodies of Chinese regulars behind the Japanese lines, so far as this office's information goes, have been inactive. This Consulate General is informed of only one instance in which guerrillas cooperated as if by plan with Chinese army units.

Partisan bands have apparently been organized thus far on only a very limited scale. There are numerous groups of Chinese, however, engaged in ravaging the countryside.** They call themselves guerrillas and have so brought that term into disrepute amongst

the
 * Chungking's No. 50, January 24, 3 p.m. and Hankow's January 25, 12 noon.

** Despatch No. 552, January 24, 1939. Conditions in Sinyang, Honan Area, January 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

Political report
January 1939
Hankow, China

-6-

the honest citizenry. These brigands and local ruffians result from the general break-down of local government in the areas behind the Japanese lines. Chinese authority has, to be sure, been reestablished in several hsien north of the Tapien mountains, but in most sections of the province traversed by the Japanese law and order have disintegrated.

Chinese aircraft are reported to have raided the outskirts of Wuchang on January 9. Anti-aircraft fire and detonations were audible in Hankow. Although the report was denied by the Japanese military spokesman here, another Japanese military source admitted that a raid took place on that date.

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Shanghai/125- FOR #2038

✓ FROM Shanghai (Gauss) DATED March 6, 1939
 TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations: developments for the month of February, 1939.

793.94 / 14855

FRG.

14855

DECLASSIFIED: E.O. 11652, 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.

a. Japanese Announce Operations Against Haimen.

Chekiang. On February 15 the Japanese naval authorities issued a notification to the effect that they intended shortly to commence operations against the port of Haimen situated on the east coast of Chekiang Province. They asked that foreign vessels remove from the Haimen area a distance of thirty nautical miles by sundown on February 17.** It was believed at the time that the Japanese intended to undertake naval and military operations in the Province

793.94/204
 7-10

* Telegram to Chungking, February 8, 4 p.m.

** Telegram to Department, February 16, 1 p.m., no. 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

-8-

Province of Chekiang which would cause the cessation of the profitable and increasing import and export trade carried on through the various ports of the province and thus deprive the National Government of one of its principal trade outlets. Little reliable information has been received concerning Japanese operations against Haimen and although the Japanese subsequently announced that the harbor had been blocked, they gave no other information concerning these operations. Chinese reports state that the Japanese attempts to land were repulsed but observers in Shanghai are inclined to believe that no operations in force have yet been undertaken by the Japanese against Haimen. Vessels continue to ply between Shanghai and Ningpo and Wenchow, the two most important ports in the province which remain in Chinese hands.

b. Foreign Vessels Stopped and Searched by Japanese.

During the month several coastal vessels of foreign registry operating out of Shanghai were stopped and searched by Japanese naval vessels but in each instance were permitted to proceed after the searches had been completed. A Portuguese vessel carrying some forty-five thousand gallons of kerosene belonging to The Texas Company was similarly stopped and searched but subsequently allowed to proceed to Wenchow, its port of destination.

c. Japanese Occupation of Hainan Island. Japanese occupation of the Island of Hainan aroused much interest locally. This move was interpreted locally not as a strategic operation against Chinese lines of supply, although such was the explanation given by the Japanese Government, but as a calculated threat against British and French lines of communication in the Far East. The assurances given by the

-9-

the Japanese Government to the American, British and French Ambassadors that the occupation would be temporary only, were not given credence locally. *

d. Guerilla Activities. According to both Japanese and Chinese reports, the guerillas continued their activities over a wide area in the Yangtze River valley. A communique issued by the Japanese military authorities on the subject stated that Japanese troops had been involved in over ninety engagements with guerillas in the Shanghai area during the past month. Chinese reports, which are partially substantiated by a well informed foreign observer, indicate that the guerillas and Chinese troops in the Provinces of Kiangsu, Chekiang and Anhwei are being gradually reorganized and re-equipped and that trained leaders are being placed in command of both guerilla and regular units.

e. "Puppet" Administrations.

1'. Financial Difficulties. By decree of the so-called "Reformed Government" at Nanking, a "business tax" levied on goods and several other miscellaneous levies being collected by the "Special Municipality of Shanghai" and other Japanese sponsored provincial and municipal administrations, were abolished on February 1. The deficiency in revenue, which in the case of the "Special Municipality of Shanghai" is understood to have amounted to approximately four hundred thousand dollars Chinese currency per month, was supposed to be made good by grants from the "Reformed Government". However, in the case of the "Special Municipality of Shanghai" and several other municipalities, the expected

* Telegram to Department, no. 118, February 16, 11 a.m.

-10-

expected grants were not made and there has resulted a serious financial embarrassment of these administrations.

2'. Assassinations of "Puppet" Officials. A number of "puppet" officials and pro-Japanese Chinese were assassinated during the month by organized and directed Chinese terrorists or by patriotic Chinese organizations. The Mayor of Hangchow was assassinated by Chinese terrorists early in the month and two officials connected with the Japanese sponsored administration of Tsuchi were also killed by Chinese terrorists or guerillas. Information concerning occurrences of this nature is generally carefully suppressed by the Japanese who seek to give the impression that peace and order are well maintained in the cities under their control. (For political assassinations in Shanghai see "Municipal".)

DECLASSIFIED: E.O. 11652, 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.

DOCUMENT FILE

NOTE

SEE 846g.00/41 FOR Tel #105; 9am

FROM Hong Kong (Southard) DATED April 1, 1939.
TO NAME 1-1127 070

REGARDING: Developments and events, at or near Hong Kong, which have relation to Sino-Japanese situation.

Summary of-, for month of March, 1939.

FRG.

793.94/14856

14856-

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

ML

GRAY

Hong Kong via N.R.

Dated April 1, 1939

Rec'd 5:30 a.m. 2nd

Secretary of State
Washington

105, April 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 March.

One. Japanese payment of 20,000 Hong Kong dollars indemnity made to Hong Kong Government as indemnity for frontier bombing at Shumchun in February.

Two. Committee designated to function in Hong Kong for operation of 10,000,000 sterling China currency stabilization fund. Members reported to be chief manager of the Hong Kong and Shanghai Banking Corporation, manager Hong Kong branch of Chartered Bank, assistant general manager of Hong Kong branch of Bank of China, general manager of Bank of Communications, and Cyril Rogers of Bank of England to represent British Government.

Three. Madame Chiang and W. H. Donald arrived in

Hong Kong

110-76
793.94

Fe

8469.00/41

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- Hong Kong via N.R. April 1, 1939 5:30 a.m. #105

Hong Kong to spend some time allegedly for vacation purposes. They expect to be here still for some days.

Four. Increased Japanese military and naval activity at Kongmoon and Pakhoi which is causing influx of refugees into Macao.

Five. Reports indicate continued intensive activity by Japanese at Whampoa to extend facilities of that port for large ships. Various business opinion in Hong Kong is that reopening of Pearl River is being delayed until Whampoa work further advanced or completed.

Sent to Peiping.

SOUTHARD

KLP

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

15503

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

~~INT~~

~~YES~~

~~ACM~~

April 4

793.94/14857

To note simply that
Japanese forwarding agency
is expanding and that
the transportation of goods,
unless handled by Japanese
concerns, is subject to
delays and extra expenses

Jher

DECLASSIFIED: E.O. 11652, 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

5504

No. 1930

Peiping, February 18, 1939.

Subject: Japanese Interests in North China -
Forwarding Companies.

1939 APR 3 PM 2 08

OFFICE OF
COMMUNICATIONS
AND RECORDS

STRICTLY CONFIDENTIAL

793.94
893.5034
893.602

A-M/C
RECORDING DESK
FILE-C...

OFFICE OF THE ATTORNEY GENERAL
INTERNATIONAL
APR 19 1939
DEPARTMENT

APR 13 1939

Commercial
or confidential

Division of
FAR EASTERN AFFAIRS
APR 4 - 1939
Department of State

793.94/14857

DEPARTMENT OF STATE
ASSISTANT SECRETARY
OF STATE
APR 13 1939

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

I have the honor to report, as of possible interest to the Department, that the Kokusai Unyu (International Express Company) is rapidly and steadily increasing its activities throughout North China.

According to the Manchuria Daily News of February 15, 1939, this company had only 30 employees in North China prior to the Manchurian Incident, only 90 between that date and the beginning of the China Incident, whereas at the present time the company employs 1,300 persons throughout the occupied areas of North China.

F/FG 14857

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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 -

8505

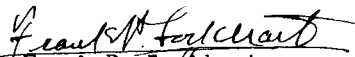
China. The news article, in reporting the establishment of branch offices in Shihchiachwang, Tsinan, Taiyuan, Tsingtao and Hsuehchow, states that the company proposes to establish new agencies at certain stations along the Peking-Hankow and Tientsin-Pukow Railways south of the Lunghai line as well as along other railways in Shansi and Suiyuan.

In the broad aspect of Japanese economic penetration the activities of Japanese forwarding agencies are a small matter. But the enlarged activities of such agencies are generally symptomatic of the hold which Japanese enterprise is endeavoring to have upon commercial matters throughout the occupied areas. In this connection, it may be briefly stated that the transportation of goods, unless handled by Japanese concerns, is now subject to long and vexatious delays, and that such delays result in extra expense and often a loss of market.

The same condition would appear to obtain in other occupied areas of China; especially it is understood that, although commercial shipments are not permitted up the Yangtze, merchandise delivered to Japanese agencies has some chance of being delivered to the various Yangtze ports, even in the guise of military supplies.

Respectfully yours,

For the Chargé d'Affaires ad interim:


Frank P. Lockhart
Counselor of Embassy

Original and 1 copy to Department.
Copy to Embassy, Chungking.
Copy to Embassy, Tokyo.
Copy to Consulate General, Shanghai.
Copy to Consulate General, Tientsin.
860.2/ 879.7

CSR-SC

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

April 5, 1939

Tokyo encloses with despatch
no. 3730, March 7, 1939, a press
clipping of a Domei report from
London in regard to a decision by
a British court that a state of
war exists between China and Japan
in the sense in which an ordinary
commercial man of the world might
use the word "war"



FE:Ballantine:HJN

DECLASSIFIED: E.O. 11652, 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
OFFICE OF THE
UNITED STATES OF AMERICA



WE

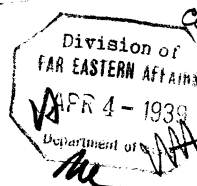
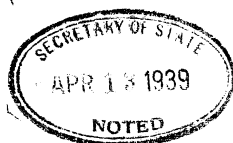
No. 3730. 1939 APR 3 PM 2 29

AMERICAN EMBASSY
Tokyo, March 7, 1939.

DIVISION OF
COMMUNICATIONS

SUBJECT: BRITISH COURT DECISION THAT JAPAN IS AT WAR.

793.94



COPY in FE

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793.94/14858

The Honorable

The Secretary of State,
Washington.

Sir:

1/ As of possible reference value, there is enclosed
herewith a Domei report from London with regard to a decision
in the British courts holding that a shipping company having
a contract subject to cancelation in the event of war in-
volving Japan is released from execution of the contract by
reason of the present hostilities in which Japan is engaged.

Respectfully yours,

Joseph C. Grew

Joseph C. Grew.

Enclosure:

Clipping, "Japan Is Really
At War, Court of Appeals Decides,"
JAPAN ADVERTISER, March 4, 1939.

710.
CC:r

APR 18 1939
FILED

F/FG 14858

DECLASSIFIED: E.O. 11652, 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. 3730 , dated March 7 , 1939.
from the Embassy at Tokyo.

The Japan Advertiser.

Tokyo, Saturday, March 4, 1939.

JAPAN IS REALLY AT WAR, COURT OF APPEALS DECIDES

Kawasaki Kisen Kaisha Again Loses Chartering Cancellation Case

Domei
LONDON, March 2.—The decision handed down last year by Justice, now Lord Justice, Rayner Goddard, who held that a state of war existed between China and Japan in the sense in which an ordinary commercial man of the world might use the word "war," was upheld today by the Court of Appeals.

The decision was reached after the Court of Appeals heard the case of the Kawasaki Kisen Kaisha, which appealed the judgment handed down by Justice Goddard that the Bantham Shipping Company, of Cardiff, was entitled to cancel the chartering rights of the steamship Nailsea Meadow to the Japanese company in September 1937, because a clause in the contract permitted cancellation of the charter "if war breaks out involving Japan."

In dismissing the appeal, the presiding justice declared that Justice Goddard manifestly had been right. He added that war might break out without the British Government's recognizing it.

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

~~1E~~ April 5, 1939

Tokyo's 3708, February 27, 1939, reports the outcome of an approach made by Ambassador Grew to the Japanese Minister for Foreign Affairs on the subject of the Japanese occupation of Hainan Island. Neither the despatch nor its enclosure need be read as the subject matter has previously been covered by telegram.

Jm
FE:Ballentine:HJN

DECLASSIFIED: E.O. 11652, 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. 3708

Tokyo, February 27, 1939

SUBJECT: HAINAN ISLAND

RECEIVED
DEPARTMENT OF STATE

1939 APR 3 PM 2 32

RECEIVED
DEPARTMENT OF STATE

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

egz

ONLY M.I.D.



Copy in FL

793.94/14859

The Honorable

The Secretary of State

Washington

Sir:

I have the honor to refer to the Department's
793.94/147132
telegram no. 40 of February 15, 7 p.m., concerning
the Japanese occupation of Hainan Island. In this
1/ relation there is transmitted herewith copy of a
memorandum on my conversation of February 17, 1939
with the Minister for Foreign Affairs inquiring as

to

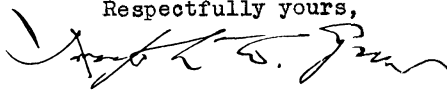
F/F 9859

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 -

to the intentions of the Japanese Government in
connection with the occupation of Hainan.

Respectfully yours,



Joseph C. Grew

✓ Enclosure:
as stated

710
ESC:wr

Copy to Embassy, Peiping
Copy to Embassy, Chungking
Copy to Consulate General, Hongkong

071

DECLASSIFIED: E.O. 11652, 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. 3708 of February 27, 1939
from the Embassy at Tokyo

Conversation

February 17, 1939.

The American Ambassador, Mr. Grew,
with the Minister for Foreign Affairs,
Mr. Arita.

Subject: Hainan Island.

In accordance with instructions contained in
the Department's telegram no. 40, February 15, 7
p.m., I called this afternoon at 5:30 on the
Minister for Foreign Affairs at his official resi-
dence and made to him the following oral statement,
leaving the text with him as an unofficial document:

The statements which the Government of
Japan has made from time to time to the
effect that Japan has no territorial ambi-
tions in China, have been carefully noted
by the Government of the United States. In
view of the recent announcement of the oc-
cupation of the Island of Hainan by Japanese
forces attention is invited to the fact that
there are numerous American residents chiefly
missionaries as well as substantial American
missionary and educational interests in the
Island and that the United States maintains
no consular representative in Hainan. In
the light of the foregoing and also having
in mind the general question of the relation-
ships among the Powers including the United
States which have important interest in and
with reference to the Pacific area, the Gov-
ernment of the United States in view of the
fact that these relationships have formed
the basis of various international agreements,
would be glad to be informed as to the inten-
tions of the Japanese Government in connection
with the occupation of Hainan Island.

The Minister said that the purpose of the occupa-
tion of Hainan Island is to strengthen the blockade
of the South China coast and to hasten the suppres-
sion

DECLASSIFIED: E.O. 11652, 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 -

sion of the Chiang Kai-shek "regime". Mr. Arita repeated the former statements of the Japanese Government that Japan has no territorial ambitions in China and added that the occupation "will not go beyond military necessity".

J. C. 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

DOCUMENT FILE

NOTE

SEE 893.00/14358 FOR #150

FROM China (Chungking) (Peck) DATED March 7, 1939
TO NAME 1-1127 ***

REGARDING: Conditions in war areas of North China.

Memorandum, prepared in Chinese for the use of the Chinese government, in regard to certain phases of situation; encloses copy in translation.

FRG.

793.94/14860

14860

DECLASSIFIED: E.O. 11652, 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 893.00/14359 FOR #155

FROM China (Chungking) (Peck) DATED March 8, 1939
TO NAME 1-1127 ***

REGARDING: General Chiang Kai-shek's address at concluding session of
People's Political Council, Feb 21.

Copy, in translation of-, enclosed.

FRG.

793.94 / 14861

14861

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

93.94

DOCUMENT FILE

NOTE

SEE 890.00/137 FOR Memorandum
State Department
Far Eastern Division
FROM (Salisbury) DATED March 30, 1939.
TO NAME 1-1127 ***

REGARDING: Situation in Far East: review of past week, in summary.

793.94/14862

FRG.

14862

DECLASSIFIED: E.O. 11652, 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

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

Canton via N. R.

FROM

Dated April 4, 1939

Rec'd 7:55 p.m. file

Secretary of State

DIVISION OF FOREIGN
SERVICE ADMINISTRATION

Washington

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

Division of
FAR EASTERN AFFAIRS
APR 5 - 1939
Department of State

APR 1 1939
DEPARTMENT OF STATE

43, April 4, 5 p.m. 793.94 / 14853

(GRAY) Reference my 41, April 1, 1 p.m.

Reuter carries a Chinese report of today's date from Macao to the effect that Kongmoon has again fallen into Chinese hands. (END GRAY). This Consulate General's inquiries of the Japanese authorities in regard to the safety of Americans at Kongmoon have elicited no information other than the local military authorities are not in communication with that place. This statement made this afternoon might be interpreted as confirming the Chinese report above mentioned.

This office will continue efforts to get in touch with Americans there but has no reason to believe that they are in special danger.

Repeated to Chungking, Paiping, Hong Kong.

MYERS

KLP

793.94/14863

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

(CONFIDENTIAL)

PARAPHRASE

CONFIDENTIAL

A telegram (no. 43) of April 4, 1939, from the American Consul General at Canton reads substantially as follows:

Reuter carries a Chinese report from Macao under date of April 4 to the effect that Kongmoon has again fallen into Chinese hands. The only information which the Consulate General has been able to obtain in reply to inquiries of the Japanese authorities concerning the safety of Americans at Kongmoon is that the military authorities in Canton are not in communication with Kongmoon. It might be considered that this statement made on the afternoon of April 4 confirms the above-mentioned report carried by Reuter. Although the Consul General has no reason for thinking that Americans in Kongmoon are in any special danger he will continue to try to get in communication with them.

29C.
 FE:EGC:REK
 4/6/39

Ask
 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

TELEGRAM RECEIVED

CJ

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

Peiping via N. R.

FROM Dated April 5, 1939

Received 7 a.m.

Secretary of State

Washington.

of paraphrase
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O.N.I. AND M.I.D.

Division of
EASTERN AFFAIRS

APR 5 - 1939

in confidence
Department of State

170, April 5, 4 p.m.

793.94

The Japanese have recently conducted extensive searches in the territory adjacent to Peiping for arms in the possession of private persons and organizations with the result that many small arms have been seized from respectable and well meaning persons who had them in their possession solely for defense against guerrillas and bandits. Inhabitants in many villages must now depend on the inadequate protection afforded by local police, mostly unarmed. Visits of small groups of guerrillas or bandits are becoming more frequent in nearby villages and as a consequence many villagers are moving into the larger towns. It is known that large numbers have come in to Tungchow and other small towns near Peiping. Formerly a loosely organized volunteer citizens defense corps was able to afford some protection. The advent of warm weather is a further stimulus to the spread of guerrilla warfare. There have been

11

793.94/14864

F/ALB

DECLASSIFIED: E.O. 11652, 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- 170, April 5, 4 p.m.

been frequent reports recently of clashes between guerrillas and Japanese forces in which the latter are supposed to have suffered considerable losses. An accurate statement of losses on either side is not obtainable.

Repeated to Chungking. Code text by mail to Tokyo.

LOCKHART

CSB

0723

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

[CONFIDENTIAL]

CONFIDENTIAL

PARAPHRASE

A telegram (no. 170) of April 5, 1939, from the American Embassy at Peiping reads substantially as follows:

Recently clashes have been reported frequently between Japanese troops and guerrillas in which the Japanese are thought to have had considerable losses. There is no information obtainable in regard to the exact losses on either side. Private individuals and organizations in the area adjoining Peiping have been subjected by the Japanese recently to extensive searches for arms. The result has been that small arms in considerable numbers have been taken away from well meaning, respectable individuals who kept the arms purely for purposes of defense against bandits and guerrillas. It is necessary now for the inhabitants of many villages to rely on the insufficient protection which local police, most of whom are unarmed, can give. Many villagers are moving into the larger towns on account of the more frequent visits in nearby villages of small bands of bandits or guerrillas. A large number are known to have moved into small towns, including Tungchow, close to Peiping. It was possible in the past for the villages to be protected to some extent by a loosely organized volunteer defense corps of citizens. The spread of guerrilla warfare is being stimulated further by the coming of warm weather.

793.94/14864

89C
 FE:Christenson:HES
 4-6

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 10/11/75

DECLASSIFIED: E.O. 11652, 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.

APR 5 1939

ISSUE TWENTY-ONE
March 22, 1939

INDEX

Chine Goes to Work, by Pearl S. Buck.....	1
(Reprint from April Asia)	
Isolationist Bloc in Congress Splits.....	3
by Washington Watcher.	
Typical Japanese Press Conference.....	6
Railway Systems in Southwest and Northwest.....	8
Japan in Hainan.....	9
Shanghai Correspondence.....	9
China Miscellanae.....	11

YOUR ATTENTION, PLEASE!

The SERVICE is supported by voluntary contributions from readers. \$1.00 a quarter or \$4.00 a year places YOU on the regular list.

ISSUE 22 will be sent out about April 12. Dates of issue are arranged to make best use of available material. China Goes to Work (p.1) was not available until after the 20th. We are most appreciative of the courtesy of ASIA in allowing us to reprint this article by Mrs. Buck.

SPEECH ON NEUTRALITY. Through the courtesy of Congressman John G. Alexander, the Service has arranged to send you a speech made by Mr. Alexander on March 10, 1939.

ADDITIONAL MATERIALS. There are many materials in the office of this Service. If you have particular needs, please make your requests.

FAR EASTERN SURVEY. Attention is drawn to the March 1 issue of the Far Eastern Survey, published by the American Council, Institute of Pacific Relations, 129 East 52nd Street, New York City.

AIR MAIL. Reports from China as well as the U. S. Post Office indicate that air service from London to Hongkong is being successfully carried out. Letters to West China (Chengtu and Chungking) go by way of Hongkong. Rate: first class to London plus 31 cents per half-ounce. Letters should be marked "Air Mail from Europe".

The Burma China Airline was scheduled to start on February 28. The route between Chungking and Rangoon, via Kunming and Lashio, will parallel the Burma-Yunnan Highway. Air mail service is not reported yet.

ADVISORY EDITORS: BRANK FULTON, MINISTER, RAINFOOD 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., CHUNGKING,
SZECHUAN: DR. FRANK W. PRICE, NANKING THEOLOGICAL SEMINARY, CHENG TU, SZECHUAN

793.94/14865

F/FG

FREE CHINA GETS TO WORK

*The New Industrial Coöperatives Can Supply an Economic Base
for Prolonged Resistance and for Reconstruction After the War*

By PEARL S. BUCK

China is at last beginning her real offensive against Japan. It is characteristically not an offensive of arms but of industry. In doing this she is meeting Japan's attack at its most crucial point. For Japan's keenest thrust at China has not been military but economic. When the Japanese insist that they do not want Chinese territory, they are probably speaking the truth. What they want is China's life—that is, the trade and resources which have made and kept China a great and powerful nation for so many centuries. Japan has come to China not as other conquerors have come, to seize land or a throne. She has come with the definite goals of taking China's trade and industries and possessing her natural resources.

The economic front is the one on which China has been most nearly defeated. If the Chinese can survive this war economically they can win it. To lose cities has been not too important, to lose land has not been too catastrophic. What is close to catastrophe is the fact that the rapidly growing heavy industry of the past two decades in China is now, seventy per cent of it, either destroyed or in Japanese control, and Japanese trade with China is alarmingly on the increase. Two thousand Japanese merchants and industrialists come to China every month. In the occupied cities ninety-five per cent of the goods bought and sold are Japanese. The very cloth which makes the uniform for many Chinese soldiers is bought from Japan.

The sad truth is that China may be furnishing the means for her own conquest.

Some of China's most alert minds are now at work upon the problem of how to combat Japan industrially. Warfare goes on and must go on, but it is accepted that China cannot compete with Japan in arms. Guerrilla warfare will be ceaseless, but at best it will not solve the problem of Japanese occupation. For there is a force working for Japan against which even the bravest guerrillas are helpless. It is the fact that with the destruction of industry, both large and small, millions of people are hungry and homeless. These people in their despair flock to Japanese-established industry in their own territory. They and their children must eat, even though the enemy feed them.

The one weapon, therefore, against Japan's increasing possession of China's economic life is the

establishment as quickly as possible by the Chinese themselves of new centers of industry which can absorb the many working people now without work and set them again to producing Chinese goods for Chinese to use. This is more than mere relief. It is an act of real aggression against Japan, because it sets up competition for Japanese goods and utilizes Chinese resources, both natural and human, which would otherwise out of sheer necessity empty themselves into Japan's industrial stream. The Chinese have long known that if China can keep possession of her own raw materials and her own markets, Japan will be defeated in the main purpose of the war. As the great industrial cities along the Yangtze fell one by one, they planned to move the remaining plants inland, to cities farther up the river. But Japan settled this by bombing Chungking, Chengtu, Yunnanfu. All of China's large cities have now been proved within Japan's bombing reach. Bankers and technical experts have come to a common conclusion—that the new industrial movement must be made in small units, financed coöperatively.

So there is heartening news from China—the most heartening for many months. There is now being organized in China a vast scheme of coöperative industry, to make use of as many as possible of the millions of war refugees and especially of the factory workers of Shanghai and other cities, nearly all of them thrown out of work by the invasion.

The plan, in brief, is that in any locality a group of craftsmen may organize into a society, the minimum being seven persons. No member is allowed to own more than twenty per cent of the stock. There are definite rules about buying raw materials and selling products. Profits when they are earned will be divided among the members. Each society is carefully supervised by a central committee, in order to develop self-government and the committee system of self-management. This central committee is the national Industrial Coöperative Commission, sponsored by the Executive Yuan of the central government. It includes some of China's best engineers, technicians and labor organizers, as well as expert foreign advisers.

In the short space of four months four large coöperative headquarters have been set up, two north of the Yangtze and two south, all within free China. They have received and spent large sums,

including \$5,000,000 Chinese from the government, a gift of 140,000 pesos from Chinese in the Philippines, a loan of \$200,000 from patriotic Canton bankers and a few private gifts. Their loans vary from \$500 to \$10,000 (local currency) and have been granted to coöperatives for producing tanned leather and small boats; for weaving, spinning, printing, mining coal and iron, milling flour, extracting and working metal; making sulphuric acid and converting vegetable oil into fuel substitutes. These are nearly all old industries which modern industry had replaced. In many regions old hand methods had been forgotten as craftsmen found themselves unable to compete with modern machines. In some cases the grandsons of the old craftsmen are now having instruction in an old craft by old methods and the use of primitive tools. Sometimes vast natural resources, not known or simply not worked because of lack of demand, are now being uncovered and put to use. In one region, for instance, imported iron was being sold at a high price, while in the ground were great stores of rich and workable ore.

The plan of the Industrial Coöperative Commission calls for thirty thousand coöperatives, which, if each unit involves directly and indirectly one hundred and fifty producers and their dependent families, will begin a huge relief program and at the same time increase China's dying production and shrinking markets.

Of this plan a good deal has already been accomplished. Chief among the foreign experts, perhaps, is Mr. Rewi Alley, technical advisor. Under his advice, to the Northwest went as organizer Lu Kuang-mien, a returned student from Edinburgh who had already had experience in coöperative industry in Honan, and with him as engineer went Wu Chu-fei of the Shanghai Power Company and the Ford Motor Company in the United States. Machines were sent from Hankow and within three months some eighty small industries were begun. Fuel alcohol, weaving, spinning, knitting, tanning, mining and transport coöperatives were among them. Villages were lit by electricity, a printing works established the first newspaper in a county seat. The raw materials of the region have been canvased and a school has been set up for training leaders of industrial coöperatives.

To the Southwest, shortly before the fall of Hankow, went Lem Foh-yu, who came from the Shanghai Power Company to head the technical section of the Industrial Coöperative Commission. He had long been an engineer in the United States and now in western Hunan he gathered around him a band of technicians who made a thorough survey of the raw materials of the region. Shoemaking for the army was needed and was begun. Dry-cell making, leather tanning, towel weaving, hosiery knitting, and printing coöperatives have all been successful here, as well as work in medical supplies for hospitals. Society members, when the means of distribution became difficult, went out into villages and sold their products themselves, finding fair profit.

In the Southeast a tannery and leather goods co-

operative was the first begun. Other coöperatives now include a thirty-thousand-dollar machine shop, spinning and weaving for refugees, printing and cigarette-making coöperatives for crippled soldiers, sugar refining, boat building and food preservation.

The central headquarters for the whole movement is now in Chungking. This headquarters acts nationally and also for the provinces of Hupeh, Szechwan, Sikong and Yunnan. Of raw materials there are plenty in this region, but work has only just begun.

The coöperatives in all regions are proving successful. Profits are generally good. One candle-makers' coöperative was able to pay back in two months five hundred dollars on a two-thousand-dollar loan, after having met all expenses. Capital is of course sorely needed, for a coöperative must be maintained until it can begin to make profits.

Every Chinese and every friend of China should help in this attack upon the Japanese, on the industrial front. Rich Chinese should give more than they have. The wealthy Chinese overseas have given most generously but it is a shameful and discouraging fact that rich Chinese in China, both in and out of government circles, have not given nearly what they should to any form of war relief. A little money goes a hearteningly long way in China. One American woman gave to the coöperatives fifty dollars in United States currency. With it seventeen Chinese-made weaving machines were bought in Hankow and these gave employment to sixty persons in a Shensi unit.

There are many interesting points which come to one's mind in surveying the possibilities of this new industrial movement in China. China's old strength was always in her decentralized industries, the home industries of her villages and families. A few years ago the great English economist R. H. Tawney, in his excellent study of Chinese industry entitled *Land and Labour in China*, made his conclusion that China should, for the economic welfare of her people, stay by her own ancient system of the small industry rather than industrialize in the large centralized fashion of the West. To the latter system, however, she was developing until Japan destroyed her factories. Now she is turning back to the sources of her ancient strength.

The development of industrial coöperatives at the present moment in China is of the utmost meaning. It gives relief and life to the destitute refugees, it maintains a native industry in the face of Japan's foreign economic aggression and, most important of all, it provides a new and inexhaustible source of moral strength and confidence for the Chinese people. It gives work to the working man, to the trained expert and to China's eager young, who are at this time so dismayed because, with all their anxiety to help their country, there is little they can do. Their country has been crumbling beneath their feet as they stood, because industry has been paralyzed. But by bringing industry back to life in hundreds of places they are staying the destruction. Workingmen and intellectuals can found through coöperatives a new Chinese industry. Together they can fight Japan.

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

CHINA INFORMATION SERVICE, Issue No. 21, March 22, 1939.

Page 3.

ISOLATIONIST BLOC IN CONGRESS SPLITS

The outlook for repeal or revision of the so-called Neutrality Act appears much brighter than it did a fortnight ago. The congressional isolationists can still make the most noise in the press, radio and Floor debate but a careful nose-counting by experts indicates they are definitely in the minority today and their ranks are badly breeched.

The danger that American foreign policy would become involved in inter-party dispute and partisan politics subsided to a great degree when a number of outstanding Republicans like Senators McNary of Oregon, Johnson of California and Austin of Vermont stepped to the forefront of the movement for a strong foreign policy.

A number of significant events contributed to the rapidly changing sentiment of Congress. The President spoke out against the Neutrality Act and his statement was cordially received everywhere, the American press set up a loud clamor against continuance of the Neutrality Act in its present form, Colonel Henry L. Stimson, former Secretary of State, wrote a masterful letter to the New York Times supporting the President's foreign policy views (although criticizing his domestic policies), outbreaks of demonstrations against the shipment of scrap iron to Japan on the waterfronts in Portland, Astoria and Marshfield, Oregon, and elsewhere, gave voice to the public's horror at America's share in Japan's crime in Asia, Senator Elbert Thomas of Utah introduced an amendment providing for an embargo of munitions and credits to treaty-breaking aggressor nations, isolationists Senator J. Hamilton Lewis of Illinois presented a bill to repeal the Neutrality Act outright, and isolationist Hiram Johnson of California announced he would support the repeal measure.

The road to an embargo on credits and munitions to treaty-breaking Japan is still beset by many obstacles, however. Repeal of the Neutrality Act is but one step in that direction. While it may be said that a majority in the Senate and House disapprove of the present Neutrality Act, wide differences of opinion exist regarding the next step. Sentiment is growing to place all warring nations on a "cash and carry" basis for raw war materials as well as actual munitions. This may aid Britain and France in case of a European War but it would also aid Japan. Senators Nye, Clark, LaFollette, Capper and other die-hard isolationists announced they would lead a filibuster against the repeal movement and keep Congress in session until fall, if necessary.

The Senate Foreign Relations Committee will commence neutrality hearings later this month when experts of all shades of opinion will be invited to testify. The several neutrality bills and amendments already introduced will be shroffed over carefully and perhaps a new committee will be prepared.

Congressional delegations from the Pacific Coast States and perhaps from the Western States as a whole appear ready to vote as a single unit in favor of any action to withdraw American economic support for Japan's crime in Asia. Two exceptions are Senator Homer T. Bone of Washington and Representative Carl Hinshaw, of Pasadena, California.

With the American press showing a "strong and united support" for a firm policy to aid the democratic countries who may become victims of aggression, public opinion has made a historic swing towards a willingness to engage in diplomatic and economic action in support of such victims as an alternative to military participation in foreign wars, according to the two recent Gallup polls.

One of the chief difficulties in preparing suitable legislation is to find a neutrality formula that will provide American support for democratic victims of aggressive warfare in both Europe and Asia. A formula that would aid Britain and France in Europe might also aid Japan in the Orient. The difficulties, however, are not insurmountable and Congress may be unwilling to clamp down any fixed formula for the future that would tie our hands in any unforeseen series of events.

Nose-counting is a difficult and thankless task, but the following line-up may indicate which way the wind is blowing in Congress. The list is subject to change without notice and doubtless contains some errors, but is the best that can be obtained as yet:

<u>Friendly to Embargo</u>		<u>S E N A T E</u>		<u>Friendly to Embargo</u>	
Key Pittman,	D. Nev.	Burton K. Wheeler,	D. Utah		
William K. King,	D. Utah	Elbert D. Thomas,	D. Utah		
L. B. Schwellenbach,	D. Wash.	J. Hamilton Lewis,	D. Ill.		
Dennis Chavez,	D. N.M.	James F. Byrnes,	D. S.C.		
Robert F. Wagner,	D. N. Y.	Henry S. Truman,	D. Mo.		
James M. Mead,	D. N. Y.	Sherman Minton,	D. Ind.		
Wallace H. White,	R. Me.	Josh Lee,	D. Okla.		
Rufus C. Holman,	R. Ore.	Alben W. Barkley,	D. Ky.		
Chas. L. McNary,	R. Ore.	Hattie Caraway,	D. Okla.		
Clyde M. Reed,	R. Mo.	Theodore F. Green,	D. R. I.		
Ernest W. Gibson,	R. Vt.	Joseph F. Guffey,	D. Pa.		
Warren R. Austin,	R. Vt.	Pat Harrison,	D. Miss.		
Claude Pepper,	D. Fla.	Matthew M. Neely,	D. W. Va.		
M. M. Logan,	D. Ky.	Guy M. Gillette,	D. Ia.		
Sherman Downey,	D. Calif.	Allen J. Ellender,	D. La.		
Tom Connally,	D. Tex.	Henry F. Ashurst,	D. Ariz.		
		Hiram Johnson,	R. Calif.		
<u>Unfriendly to Embargo</u>		<u>Unfriendly to Embargo</u>		<u>Unfriendly to Embargo</u>	
Arthur H. Vandenberg,	R. Mich.	Hendrik Shipstead	F-L. Minn.		
William E. Borah,	R. Idaho.	Robert R. Reynolds,	D. N. C.		
Arthur Capper,	R. Kans.	Gerald P. Nye,	R. N.D.		
Bennett Champ Clark,	D. Mo.	David I. Walsh,	D. Mass.		
H. Styles Bridges,	R. N.H.	Lynn J. Frazier,	R. N. D.		
Henry Cabot Lodge,	R. Mass.	Rush D. Holt,	D. W. Va.		
George W. Norris,	Ind. Neb.	D. Worth Clark,	D. Ida.		
Robert A. Taft,	R. Ohio.	Homer T. Bone,	D. Wash.		
Ernest Lundeen,	F-L. Minn.	A. V. Donahey,	D. Ohio.		
		James E. Murray,	D. Mont.		

Since the last article was written, two Senators, Johnson and Lewis, were moved from the unfriendly to the friendly column. It would not be surprising if Senators Vandenberg and Lodge could be moved over soon. Senator Vandenberg told the Senate he wondered if the time had not come when the mandatory provisions of the Neutrality Act should be abolished. Senator Lodge told an inquirer that his isolationist views on Europe did not necessarily apply to the Pacific.

Sentiment in the House is now running about the same proportion as in the Senate and the list will not be included in this commentary.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
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CHINA INFORMATION SERVICE, Issue No. 21, March 22, 1939.

Page 5.

Embargo leaders in Congress advise that petitions, letters and telegrams to Senators and Representatives should state in general terms the desire for stoppage of credits and war supplies to Japan without specifying any particular bill or amendment. The bill to be finally reported out from committee may be quite different from any thrown into the legislative hopper, embodying the best practical feature of each.

Far from perfect but perhaps the most satisfactory measure so far is the Thomas amendment to the Neutrality Act permitting the President to distinguish between aggression and victim provided Congress concurs. The aggressor would be barred from American munition markets while American economic support would be given the victim of aggression.

Senator J. Hamilton Lewis presented a bill to repeal all neutrality laws passed from 1935 through 1938 and to provide that "the policy of neutrality is to be executed from time to time by appropriate executive orders by the President of the United States, and enforced by such branches of the Government as should be directed."

Earlier in the session, Senator William H. King had introduced a measure for simple repeal of the Act. Representative Robert Allen, Republican of Pennsylvania, introduced a bill providing for complete stoppage of all trade with Japan. A number of bills to halt the shipment of scrap iron to Japan were presented but were being held up, on suggestion of the President, until Congress has considered the neutrality question as a whole.

Important changes in the Senate's attitude on foreign affairs have occurred during the past fortnight, with the House lagging along behind. The next few weeks will be vital to all concerned in these matters and April, 1939, may go down in the annals as a period of historic and far-reaching change in American policy.

- - - - -

The catastrophic events in middle Europe during the past week caused grave concern in Washington and convinced many more Members of Congress to look askance at the present neutrality statutes. One competent observer predicts that Congress, with its eyes on Europe, will insert the "cash and carry" clause in the munitions section of the present Act making all exports of munitions and war supplies to belligerent nations illegal except in cases where all right, title and interest in the consignment has been transferred to some foreign government, subdivision or nation.

This may prevent American munitions and supplies from reaching the fascist powers in European War, but as Senator Hiram Johnson pointed out, it would also play directly into the hands of Japan. The British Navy could halt war supply shipping to the fascist nations and the Japanese Navy could likewise prevent shipment of American supplies to China.

If this type of revision is approved by Congress, then a special embargo measure must be enacted to apply to Japan in the Far East.

* * * * *

0731

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

CHINA INFORMATION SERVICE, Issue No. 21, March 22, 1939.

Page 6.

TYPICAL JAPANESE PRESS CONFERENCE

In view of the fact that most of the news from the Orient still flows through the bottleneck at Shanghai where the Japanese influence is the greatest, the writer asked one of the topnotch American correspondents in Shanghai to give him a picture of the situation there as regards sources of news from both the Chinese and the Japanese sides, reliability of the various spokesmen, relations between the press and the Japanese officials, and other pertinent information along these lines.

The reply, which appears to contain a measure of hostility towards the Japanese follows. It might be explained that in the beginning of the war, this correspondent held no animus towards the Japanese but subsequent events apparently have changed his sentiments. In any case, the reply seems worth a perusal.

* * * * *

As contrasted with earlier months in the war, a Japanese press conference today is pervaded by an atmosphere of belligerence, mutual distrust and strain. Correspondents have learned from experience that the purposes of press conferences is not to reveal information but to conceal and distort it, to throw hearers and readers off the track, to put over propaganda. Unsavory direct questions inevitably produce evasive answers and only the most wily questioning by a correspondent can sometimes break through the subterfuge to the facts beneath. All press conferences are approached as a struggle of wits between antagonistic elements. Correspondents know that details of war news, diplomatic developments, etc. given out carefully conceal all but the portion that will reflect no discredit or the least discredit on the Japanese. Usually some ten to twenty correspondents attend routine conferences in Shanghai. They are held in the Broadway Mansions, in the Japanese controlled and ruled section of Shanghai, causing correspondents to cross into an area most would never visit otherwise. A section of the dining room is used. Everything is very comfortable and efficiently managed and on time. Whiskey, sodas, coffee, tea, or any drink or refreshment the correspondent may want is served. The army spokesman usually leads off announcements. He reads a prepared statement in Japanese which is interpreted by Horiguchi. The correspondents then put questions. Answers are usually given in terms of a cocky or wisecracking phraseology, for Japanese arrogance dearly loves to try to be smart. Often elaborate sarcasm is indulged in at the questioner's expense. At the start of the war and the press conferences correspondents were for a while a bit taken aback by such responses but soon learned that the most effective way of dealing with the Japanese conference men was to be just as "tough" as they were. Now newsmen trade sarcasm and innuendo with gusto often to the extreme disadvantage and embarrassment of the Japanese.

The Japanese naval spokesman has been known to say often that he relishes being under fire on the deck of his ship more than facing a group of foreign correspondents picking holes in his statements, which, indeed, are so patently contradictory and false sometimes as to be easy marks for sniping journalists. The navy spokesman follows the army spokesman and usually is much more courteous and generally more reliable. Japanese navy men are as a rule far more sincere and likeable than army men, and the navy spokesman is far better liked and respected by correspondents than the army spokesman. Questions on navy matters follow. Then comes the turn of the diplomatic spokesman. Japanese diplomatic spokesmen are usually a civilized lot but often hard put to make out a good case of apologies for actions of the army and navy. Questions on diplomatic aspects follows. The conference then breaks up at a word from the interpreter. Conferences are held at 5:30

every afternoon except Sunday. American, British, German, French, Italian correspondents usually make up the attendance at conferences. Cross-examination by the Americans is often very severe. The British sometimes join, the Germans and Italians rarely.

Japanese spokesmen caught in lies: In November, 1938 reliable foreign and Chinese witnesses arrived in Shanghai from Nanking telling of anti-American posters appearing in Nanking. The Japanese army spokesman was asked about this. At first he said he had been to Nanking recently and hadn't seen any such posters. He was asked to state "yes" or "no" as to whether there were any such posters. He hesitated and said "no." When Dr. M. S. Bates released the finds of his drug survey in Nanking containing information that the Japanese Army Special Service was directly connected with the heroin traffic the Japanese Army spokesman in Shanghai was asked if this was true. There was much hedging but finally the spokesman flatly denied the indisputable evidence. Foreign consular and shipping officials in Shanghai have definite data proving beyond shadow of a doubt that Japanese are engaged in commercial shipping on the Yangtze. Japanese spokesmen have repeatedly denied this, saying that all shipping is done in connection with military operations, all ships connected with the military supply section. Japanese spokesmen have repeatedly announced that troops have been advised of the existence of safety zones in Chinese cities under attack and told to respect areas unfortified and not containing military establishments. In both Nanking and Hankow high officers of occupation forces have confessed they have not even heard of safety zones and have had no orders about respecting them.

Japanese spokesmen are wont to assert with fervor that Japanese have never surrendered, Japanese airmen never allow themselves to be captured alive, etc. Foreign correspondents have seen and interviewed captured airmen.

General treatment of correspondents: Personal relations between correspondents and the Japanese are often strained, but the Japanese try to compensate for this by making the work of correspondents as easy as possible, quickening transportation and cable facilities, giving elaborate parties, doing many small favors and courtesies, granting favored correspondents special trips with free transportation. Domei service is provided at a nominal charge, much other literature. Correspondents have access to leading officials and the more prominent are cultivated socially by the highest Japanese military and civil officials. An example of free facilities for correspondents was the plane furnished correspondents from Hankow to Shanghai; other plane trips to the front have been given. Free rides on Manchurian railways are traditional for correspondents; elaborate facilities are provided correspondents traveling in Japan. Certain correspondents are denied these facilities because they are denied entry into Manchuria and Japan. Examples: J. B. Powell, Gerald Samson, A. Morgan Young, Freda Utley.

Chinese News: Correspondents get Chinese News at Shanghai through Kuo Min, which picks up from indirect sources and translates from local Chinese press. Most of the foreign correspondents at Shanghai who have been nowhere else in China and who view the country as a vast mystery land, tend to be skeptical about Chinese reports. They have little knowledge upon which to base judgments and little information on which to estimate Chinese reports. They supplement Kuomin and translations with information from Chinese and foreigners returning from the Chinese side. There are few resident high Chinese in Shanghai who can speak with direct knowledge and who are available to correspondents. Most Chinese in Shanghai are inclined to be

as poorly informed as the correspondents.

Censorship: The Japanese censorship at Shanghai is not very strict. Only occasional instances of censorship occur, but they are often of great importance. News of Japanese atrocities is usually cut out and of attacks on foreigners. The Japanese banned a story of throwing of acid by Japanese troops at Dr. Logan Roots, American, in Wuchang. There was an official American protest, and in view of this the U.S.S. Augusta transmitted the news for American correspondents. Mail is occasionally censored, but infrequently the Japanese let through cables of the narcotic scandals at Nanking and Shanghai.

RAILWAY SYSTEMS IN SOUTHWEST AND NORTHWEST

A net system of railways is planned for the Northwest (Shensi, Kansu, Chinghai, Ninghsai, and Sinkiang) and the Southwest (Szechuan, Sikang, Kweichow, Yunnan, and Kwangsi). These ten provinces comprise an area of 4,920,000 square miles, with a population of 100,000,000. At present there are three lines (1) Sian-Paochi section of the Lung-Hai Railway, (2) the Sian-Tungkwan section of the same railway, and (3) the Ko-Pi-Sheh Railway in the province of Yunnan---a total of 9000 kilometres in length. Besides there are (1) the Haiphong-Yunnan Railway, under French management and (2) the Chuan-Pei Railway, a narrow gauged line of little economic value.

Under construction are the Chengtu-Chungking Railway (523 Kilometres to be opened in the spring; the Szechuan-Yunnan Railway and the Yunnan-Burma Railway (1,900 Kilometres) to be opened within two years; the Hunnan-Kwangsi Railway to the French Indo-China border (950 Kilometres) to be opened this coming winter. Lines as planned will have a total length of over 5,000 Kilometres and the cost of construction will be over N.C. \$500,000,000.

The Ministry of Communications is now directing its efforts in the speedy completion of Paochi-Chentu, Chentu-Chungking, Szechuan-Yunnan, Yunnan-Burma, and Hunan-Kwangsi lines. When these lines are complete, they will have a total length of 3,500 Kilometres, and the Northwest will be linked together with the Southwest. There will be three routes leading to the sea: (1) from Kunming to Rangoon; (2) from Kunming to Haiphong; and (3) from Luichow to Haiphong.

Aside from these lines, Kweiyang will be a centre of railway transportation; northward it will be connected by rail with Chungking, thence connected with the Chentu-Chungking line, westward to Kunming by the Kweichow-Yunnan line; and eastward to Chuchow on the Canton-Hankow Railway by the Kweichow-Hunan line; and southward to Liuchow by the Kweichow-Kwangsi line. Langchow will be another centre of Chinese railways.

With the completion of the Paochi-Lanchow section of the Lung-Hai Railway, a new railway will be built linking Lanchow with Paotou on the Peiping-Suiyuan Railway, another runs further west to Tihwa in Sinkiang Province, and will be connected with the Turk-Sib Railway in the U. S. S. R. The Kan-Ching line will link Lanchow with Sining, whence another line will go to Chengtu, and will thus complete the net system of railways in the Northwest.

JAPAN IN HAINAN

A recent editorial in the South China Morning Post (Hongkong) suggests that the taking of Hainan may be interpreted variously--as preparation for a landing near Pakhoi; as a picturesque performance to quiet the Japanese people, restive at the long lull; as a contribution to "anti-Comintern" diplomacy, taking advantage of France's anxieties regarding Spain; as another feeler to test British and French reactions (as at Tsingtao recently) preliminary to an attempt to enforce a blockade of the China coast; as a confession that Japan has had enough of the war and is grabbing what she thinks she can hold for its own sake.

The editorial goes on to say that the taking of Hainan will not hamper the continuance of China's resistance, but it may incommode Hongkong more than China. This is because of its being food-supply for Hongkong but more because of its relation to the northern Pacific--it takes Japan nearer to Siam and Singapore and shadows the very door of French Indo-China. . . Anglo-French solidarity is undergoing another test--France may choose or be persuaded to wait awhile.

Foreigners in Hainan. There are two American Mission hospitals, one in Kiungchow and one at Nodoa; and about twenty American missionaries, about half with families; and there are ten French-Catholic missionaries and a French consulate.

Motives of Japanese. Hainan residents believe that one of the Japanese motives is to develop the natural resources of the island in order to provide raw materials for Japanese factories. The island is rich in hemp, cocoanut, sugar cane, rubber and mineral products.

Japanese atrocities in Hainan. Recent report says that because of many previous alarms and visits without danger most of the people in the cities were unprepared. When the attack came they flocked into mission compounds not even stopping to gather their bedding or rice. Since their landing Japanese soldiers have been turned loose and the villages have been scenes of looting on a large scale. Many girls have been taken away by the soldiers and the search for missing women makes a heart-rending appeal that is impossible to answer.

SHANGHAI CORRESPONDENCE

The hot-spot in Shanghai at present is the Western Area, now called the "Badlands". The Shanghai Municipal Police patrol the roads (built with S.L.C. money) but their jurisdiction in the area off the road is challenged by the Japanese and the police of the New Shanghai City Government. Thus when a gambling joint opens in an alley-way off the road, the S.M.C. cannot touch it--only the Japanese military police and the puppet city government can go in.

There are about 125 licensed gambling and lottery dens. These have been opened with official Japanese permission, now under the "Shanghai Amusement Supervision Department". One report says "These dens are in some cases very close to Municipal roads. . . Further the names of some of the lanes listed recall assassinations, attacks, shootings, bombings and other outrages committed since the "Badlands" became bad on a grand scale.

Thirty-four known opium dens are listed in the North China Daily News. The opium with the aid of the Japanese authorities now ruling former Chinese controlled

districts has been transported there to supply the opium dens which carry on openly with full consent of the authorities. Illustrating the Japanese efforts to encourage the opium business is the reduction from \$1,000 to \$500 charged by Japanese from profits of each hong. Apart from opium hongs or gambling dens, a heroin smuggling centre has been established on Robinson Road.

With these industries flourishing, criminals gravitate into the area. Furthermore, here they are free from attack by the SMC police which are a highly efficient organization. Consequently, many who have no "business" in this area tend to live there to be free from arrest. A flood of gambling, opium, and crime is the result, and we are convinced the blame is squarely upon the Japanese who have thrown the area into disorganization and who prevent, under the pretext of allowing their puppet police to maintain jurisdiction, the adequate control which the SMC could give. It is a glaring example of the actual results of the "New Order in Asia," right at the doorstep of China's most international city. Most of the longer clippings deal with this situation.

There has been an increase of political assassinations in Shanghai. Chinese plainclothes groups are getting more active and the result is further friction between the Japanese and the SMC. All of their insistence upon the inadequacy of police protection in the International Settlement and the French Concession appears ludicrous in light of the breakdown of control and the flourishing gang and crime life in the Western Areas which they have tried to bring under their control.

Bonuses to be paid by Japan to puppet government officials in case of their death is clearly an effort to boost morale, which has never been good among this group of "leaders" at best, and which must have been seriously shaken by the shooting of so many of their fellow officials and even those serving in positions of relative minor responsibility.

The shooting of three Japanese civilians, one a woman, is deplorable, and yet one can only interpret it as the result of a rather complicated situation. First, Japanese are more in evidence on the Shanghai streets than ever before. Some wander about Nanking Road just to see, or to buy - their own newspapers complain that the profiteering of their countrymen is forcing them to leave the (Little Tokyo) areas North of Soochow Creek and come into the Central area. It is an ironical comment on their own "Heaven" which they have created in Shanghai - they come over into the Chinese, British, American and other nationality shops, department stores, and restaurants simply because they like them and find many prices cheaper. Some wander about casually, simply; others seem to strut or to look out upon this Chinese-foreign world with defiance. To Chinese, smarting under the injustices, indignities, and losses of the Japanese invasion, any such swaggering or ostentations display is deeply rankling. Is it any wonder that some hot-bloods let their feelings spill over and take it out in shooting. Deplorable and to be condemned, yes, and yet the basic cause is a ruthless aggression and the attitude of a proud, profit-grabbing victor towards those he considers he has conquered.

A part of a forceful reply to one Japanese criticism of this shooting from the Correspondence columns is quoted: "I wonder what the spokesman has to say about the tens of thousands of defenceless Chinese women and children the Japanese have bombed out of existence! Does this Japanese spokesman believe that the atrocities mean nothing at all to the Chinese people?"

Surely those Japanese civilians were inviting trouble to appear in a Chinese restaurant and are entirely themselves to blame, as the S. M. Police have done everything possible to keep peace in this International Settlement and are to be congratulated on their really splendid work."

C H I N A M I S C E L L A N E

WAR WILL CONTINUE. Mr. W. H. Chamberlain, Tokyo correspondent of the "Christian Science Monitor", recently made statements in Hongkong along the following lines: "The end of the war is far from imminent.-----****Opinions that Japan is on the verge of bankruptcy and consequent breakdown of her military machine is not very far off our results of wishful thinking-----**** Two things may cause a change in immediate outlook (both of which he considers unlikely). (1) Bad defeat for Japan on battlefield. (2) Exhaustion of man power and food supplies." 'The War has eclipsed liberalism in Japan', Mr. Chamberlain said. 'Even the Social Masses Party is now leaning to the right of the Japanese Army'.

PRESENT CANTON. Before Japanese occupation Canton had a population of more than 1,500,000, about the same as Detroit or Los Angeles. According to a recent estimate the present population does not exceed 9,000.

PROGRESS OF CHRISTIAN INSTITUTIONS. Recent reports state that there are at present over 6,000 students in all the Christian Colleges in China. This is 2,000 more than the previous year and only 1,000 less than the record of peace days. This condition is due to the tenacity of students and staff in the face of hardship and danger. All the Christian Colleges are still in existence, although only two are conducting all their work on their own campus--West China Union University and Yen-ching University in Peiping. Cheeloo University carries on sections of its work on its campus in Shantung but the Medical School and Science Department have moved to West China.

AIR RAIDS CONTINUE -- MISSIONARIES' NARROW ESCAPE. Miss Katherine Boeye and Miss Dorothy Jones of the Methodist Girls' School, Kweiyang escaped injury or death by just one minute. The missionary residence and school building were badly damaged in a Japanese raid on Sunday, January 15. They went to the basement just a few seconds before the bomb fell.

JAPANESE DEMAND RESPECT. Reports from other occupied areas stress the demand of the Japanese for "respect". Foreigners as well as Chinese are required to get out of rickshas or other conveyances and walk through gates to cities or other places where there are Japanese sentries. They must remove their hats and bow to the Japanese sentries. Numbers of reports have been coming through of the bad treatment of American missionaries. It is reported that one young American woman was dragged for some distance by the Japanese.

INTERVIEW WITH MADAME CHIANG. Gerald L. Gl Samson reports an interview with Madame Chiang Kai-shek which reveals the confidence of the people of China in their cause. In answering the inquiry with regard to the effect of Dr. Wang Ching-wei's recent peace pronouncement, she said, "With the blood of our fellow-countrymen not yet dry on Japanese hands, how can we think of peace? She indicated that in her opinion, with the vast territory, wealthy natural resources and immense man-power, it is comparatively simple to carry on long-term resistance. She traced industrial and transportation advances and said that military China has on hand sufficient supplies to tide her over for some time to come. Guerilla tactics now adopted cut down the Army requirements to small arms and ammunition which are being manufactured in the interior. With regard to British and American credits, Madame Chiang pointed out that because of their limited size their value is chiefly psychological, and that they are good business since they afford a cheap form of insuring the interests of the two countries. But what China really hopes for is some measure of economic pressure--preferably sanctions--against Japan in the not too distant future.

NEW SHANGHAI PLANNED. Many Shanghai observers find in the report that Japan is to build a "new and greater Shanghai" along the left bank of the Whangpoo, the reason that the Japanese have refused to hand back the University of Shanghai.

073

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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

April 14, 1939

Canton's air mail despatch no. 35 of March 20 confirms telegraphically reported information in regard to the Japanese invasion of Hainan and additionally reports that the Japanese occupation of Hoihow and nearby Kiungchow was effected without opposition on the part of the Chinese forces; that the Japanese forces subsequently advancing southward have made no attempt to take Kachek and Nodosa which are occupied by Chinese regulars; that the Japanese invasion was a combined Navy and Army operation, with the Navy predominating; that the participating Army force of 6,000 men was taken from the Canton garrison which later received compensating replacements from Japan or Formosa; that the situation at Hoihow and Kiungchow is relatively normal, "with the customary concomitant conditions of Japanese military occupation" (gambling, opium, prostitution, et cetera) in evidence; that Hainan Americans are safe and well-treated by the Japanese; that Chinese Communists have reportedly been terrorizing interior villages and punishing the Hainan native populace for their apathy toward the Japanese occupation; and that probably the Japanese occupied the Island on account of its ultimate rather than its immediate importance to them and plan to remain there permanently (last paragraph, which you may care to read).

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

AIR MAIL

No. 35

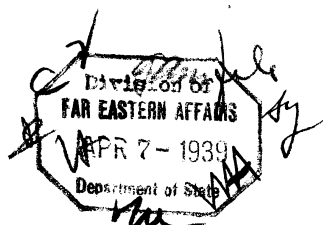
American Consulate General,
Canton, China.

1939 APR 7 AM 11 34

March 20, 1939.

DEPARTMENT OF STATE
COMMUNICATIONS
AND RECORDS

SUBJECT: Japanese Occupation of
Hainan Island.



The Honorable

The Secretary of State,
Washington.

G.
Meyer

541-4112-1
MAY 6 1939

Sir:

I have the honor to refer to my telegram no. 22,
of February 10, and subsequent reports, particularly
telegrams nos. 30 and 31 of February 23 and 24 respec-
tively, in regard to the Japanese occupation of Hainan
Island and briefly to review developments in that situa-
tion in the light of information received from reliable
sources.

It will be recalled that the Pearl River (the water-
way connecting Canton and Hong Kong) was closed between
February 3 and the morning of February 10; that Japanese
forces made a surprise landing near Hoihow (allegedly about
twelve miles west of that city) in the early morning of
February 10; that the port of Hoihow was closed to com-
mercial shipping as from noon/^{or}that day; that demands
identical to those made at Canton on November 9, 1938,
were presented to the Customs authorities at Hoihow; and
that a weekly mail service has been established between
that port and Canton. It has been learned that naval
forces, acting in cooperation with army forces, entered the
harbor

DEPARTMENT OF STATE
APR 21 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. Gustafson NARS, Date 12-18-75

- 2 -

harbor of Hoihow during the forenoon of February 10 and bombarded several large buildings (believed to have been unoccupied) in the outskirts of the city. This bombardment apparently caused little damage. The Japanese forces met with no resistance in their occupation of Hoihow and the neighboring city of Kiungchow, four miles away. Retreating Chinese troops, according to press reports, suffered very minor losses. Since the occupation of these cities Japanese units have moved south-westward toward Nodoa and southward along the east coast in the direction of Kachek. According to recent information (contained in a letter from Kiungchow under date March 8), the Japanese appear to have made no attempt to take these towns which are occupied by Chinese regular army units.

The occupation of Hainan Island was undertaken jointly by forces of the Japanese Army and Navy, although the latter, it is believed, had priority of interest in the move. The naval force was under the direction of Vice-Admiral Kondo, in command of Japanese naval operations in South China waters, and the army units were under the direction of Lieutenant-General Ando, in command of the military forces in South China with headquarters at Canton. Both of these commanders were present at the time of the occupation of Hoihow. Available information is to the effect that the army units participating in this expedition numbered about 6000 men, that they were drawn from the 18th Division stationed in the Canton area, and that replacements from Japan or Formosa of approximately the same strength were sent to this area about the same time. This office has no information.

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

- 3 -

whether the Japanese forces in Hainan have subsequently been reenforced.

Conditions at Hoihow and Kiungchow late in February were described as being as normal as could be expected in the circumstances. It was stated that bus services between these two cities have been reestablished, that Peace Maintenance Commissions are already functioning, that gambling and the sale of opium had begun and that houses of ill fame were being opened. In other words, customary concomitant conditions of Japanese military occupation were in evidence.

The Japanese authorities, it was reported, have been friendly to Americans, and their property has been in no way disturbed. As at Canton, it would seem that special efforts have been made to avoid causing unnecessary annoyance to foreigners. It may be added that all Americans residing on the island have been heard from since the Japanese landing on the island on February 10 and that, as reported by naval radio, they were safe and well.

Of interest is a recent report (from a missionary source) to the effect that Chinese communists have been very active in the interior and have been terrorizing villages. There were mentioned the capture by communists of a Chinese evangelist and the beating of his wife because the people of the village had not run away when the Japanese entered but sold food to them. This report, as a number of others in regard to recent events on the island, would indicate an apathetic attitude on the part of the local populace toward the Japanese occupation. In this connection it may be mentioned that the 3000 Chinese

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

- 4 -

who took refuge on the premises of the American Presbyterian Mission at Kiungchow at the time of the Japanese occupation had with the exception of about 300 returned to their homes within a week's time.

The Japanese statement to the effect that the Japanese occupation of Hainan Island would not go beyond immediate military necessity raises the question of the strategic importance of the island in the present conflict. Whatever its ultimate importance may be - and it is its ultimate rather than immediate importance to the Japanese that in all probability prompted the occupation - its immediate military importance would seem to be limited to its usefulness as an airplane base for operations in neighboring parts of Kwangtung and Kwangsi Provinces. (Authentic reports have indicated that the Japanese, immediately following their arrival, renovated and enlarged the old airfield at Kiungchow.) As a military concentration point, Hainan would appear, except for airplanes, to be of little value as the harbor of Moihow, the principal seaport of the island, is an open roadstead, unprotected against the north-east monsoon which blows between September and April. Assuming, of course, that Japanese plans do not miscarry, the statement reliably reported to have been made by a local prominent Japanese official to a foreigner that the Japanese are here (that is, in Canton) to stay would appear to be equally applicable to the Japanese occupation of Hainan Island.

Respectfully yours,


M. S. Myers
American Consul General

Original

6

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

- 5 -

Original and four copies to Department
(Original by air mail)
One copy to Embassy, Peiping
One copy to Embassy, Chungking.

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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./154 FOR #1927

FROM China (Lockhart) DATED Feb 15, 1939
TO NAME 1-1127

REGARDING: Sino-Japanese conflict.
Situation report for the month of January, 1939.

FRG.

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

3. Japan:

a. The military situation; continuing full in major operations:

January, like December, was a month of comparative military inactivity. Isolated and inconclusive engagements were reported on both sides of the Pinghan Railway in Hupeh and as far west as Kingshan, Hupeh (northwest of Hankow and about 47 miles west of the railway). Japanese positions in Hupeh and Kiangsi were held by relatively small garrisons and Japanese forces attacked the Chinese troops on Huling without notable success. The three Japanese divisions in South China confined themselves to operations looking to the consolidation of their

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- 4 -

their positions in and around Canton, to clearing the Pearl River delta, and to attacking from the air Chinese troop concentrations in the west, east, and north. A threatened occupation of Pakhoi did not materialize, although Japanese naval concentrations were reported along the coast and Waichow Island off Pakhoi was occupied about January 25 by the Japanese. In Shansi, the Japanese claimed to have cleared the southwestern part of the province as result of a drive begun about December 25, 1938, but continuing attempts to cross the Yellow River from Fenglingtu, Shansi, to Tungkuan, Honan, and near Yumenkou, southwestern Shansi, were unsuccessful. Repeated artillery duels occurred at the Tungkuan crossing, where the Chinese defenders were reportedly reinforced by heavy artillery and gunners from Soviet Russia, and the Japanese made air attacks upon Sian (Shensi), Lanchow (Kansu) and other places as part of their campaign to cut the route of Chinese supplies from Soviet Russia through Sinkiang and Sian.

b. Guerrilla activities:

Observers differed as to whether Chinese guerrilla activities were in general decreasing or increasing. Lacking comprehensive information in regard to all areas of guerrilla operations, the most noticeable change appeared in eastern Shantung, where the Japanese continued to make substantial progress in consolidating their positions, and in southwestern Shantung. Punitive expeditions against guerrillas in northeastern Shantung resulted in the occupation of most important towns in

that

2. Embassy's (Peiping) 85, February 14, 3 p.m.

- 5 -

that section. According to the Japanese military at
Tainan, some 15,000 guerrillas at Sanhsien, southwestern
Shantung on the Honan border, announced their allegiance
to the Japanese. In the Tsinan area, however, guerrillas
encamped within two miles of that city and engaged Japa-
nese forces in serious fighting. In south and central
Hopei and in Honan guerrillas reportedly continued active.
Attacks on the Pinghan Railway were frequent, especially
south of Paojing, and one foreign traveller reported
that the railway from Chongchow, Honan, south to Kwang-
shui, Hupeh (a distance of 110 miles), had been entirely
removed by the Chinese and the roadbed ploughed into
fields. Night attacks on Paojing continued and while
the Japanese kept east Hopei clear of guerrillas there
was one attack (January 11) on the Peiping Railway be-
tween Peiping and Tientsin which disrupted service for
several hours, and the Italian Postal Commissioner at
Peiping was seized near the city by Chinese in uniform
who claimed to be of the 8th Route Army and to have
political motives for their act. (The captive was not
released during January.) The fighting in Shenai was
chiefly with Chinese troops classifiable as guerrillas.
According to the Japanese military spokesman at Peiping,
the Chinese forces in that province numbered 92,400
and engagements fought in January were 327.

c. Aerial warfare:

Aerial warfare in January was characterized by
increased activity on the part of the Chinese, both in
defense

3. Tsinan's 4, January 25, 9 a.m.

4. Tsinan's 3, January 20, 1 p.m.

5. Embassy's (Peiping) 85, February 14, 3 p.m.

- 6 -

defense and offense. Among the offensive actions announced by Chinese spokesmen were raids on Yunchang, Shansi, and Wuchang, Hupeh. According to Japanese announcements the following places were raided by Japanese aircraft: Kwangtung Province: Shaokwan, Chaoching, Tienpaikeng, Yingteh, Pakhoi, and Kihhsien; Kwangsi Province: Yweilin, Nanning, Julin, Kweihsien, and Watlam; Szechwan Province: Chungking, provisional capital of the National Government (January 7, January 10 when bombers succeeded in reaching only the outskirts of the city, and January 15 when planes dropped bombs for the first time within the city), Chengtu, and Wanhhsien; Kiangsi Province: Chiangshu and the vicinity of Fuling; Hunan Province: Hengyang (January 12 when 100 bombs were dropped near and in the city causing heavy civilian casualties and destruction of houses), Liling, Chuchow, Pinghsiang; Hupeh Province: Ichang; Honan Province: Loyang, Tungkuan (Yellow River crossing), Chengchow, Hanyang, and Shanhsien; Shensi Province: Sian (on the route of supplies from Soviet Russia through Sinkiang), Yen-an (headquarters of the Chinese Communists), Paoki (western terminus of the Lunghai Railway), and Loohuan.

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d. Wang Ching-wei's move
for peace:

The certainty grew throughout January that Mr. Wang Ching-wei's move for peace at the end of December, 1936 had failed. His manifesto of December 30, advocating peace discussions on the basis of the Konoys declaration of December 22, was attacked bitterly by Chinese Government and Party officials and the Chinese

press

6. Embassy's (Peiping) 6, January 5, 1 p.m.; 8, January 6, 4 p.m.

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

- 7 -

press which was not under Japanese control. His immediate dismissal from the Kuomintang (January 1, 1939) was characteristic of the general attitude, no appreciable disintegration in the Party or Government followed his defection and there was reason to believe that, because he had been the chief opponent of the reconciliation between the Kuomintang and the Chinese Communist Party, his elimination actually strengthened the United Front. The puppet regimes issued statements in support of Mr. Wang's action, as a matter of course.

e. Lack of progress toward a "federal" government; the emergence of Wu Pei-fu:

Continuing failure of Japanese plans for a "central" or "federal" government for the occupied areas resulted in September, 1938 in the inauguration, as an attempt to compromise various difficulties, of the "United Council", composed of members of, and superimposed upon, the "Provisional" and "Reformed" Governments but lacking the cooperation of the "Mengchiang" Government. In January 1939 Japanese ingenuity evolved a new scheme following the collapse of Mr. Wang Ching-wei's peace demarche and his failure to stand for office as the leader of a new government. The movement for the return to political life of Marshal Wu Pei-fu (which seemed to have been abandoned in early December, 1938) was revived, and Japanese and Chinese politicians created a "Pacification Commission" for Honan and Hupeh outside the areas under the nominal jurisdiction of the Peiping and Nanking regimes

regimes

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7. Embassy's (Chungking) 2, January 2, 9 a.m.
 8. Embassy's (Peiping) 48, January 23, 4 p.m.; 55, January 27, 3 p.m.; 60, January 31, 5 p.m.; 62, February 1, 3 p.m.; 63, February 7, 4 p.m.; 67, February 3, 4 p.m.; 76, February 10, 1 p.m.; 79, February 13, 12 noon.

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

- 8 -

regimes, to be headed by Marshal Wu Pei-fu with seat at Kaifeng, Honan. Reportedly the plan also contemplated the eventual removal of the headquarters of the Commission to Hankow for possible development into a regional government for that area. Although the Japanese press and the Japanese-controlled Chinese press asserted that Marshal Wu accepted this post, his own statements to foreign correspondents indicated that his acceptance was being withheld pending the fulfillment of certain conditions and that he considered Peiping to be the appropriate place for the Commission's headquarters. According to a number of his associates, one of his conditions was a promise of withdrawal of Japanese troops from China within a specified time.

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f. Third meeting of the "United Council":

The third meeting (postponed from December 1938) of the "United Council of the Republic of China" was held January 24, 1939 in Peiping. The Council adopted resolutions on routine matters such as postal relations between the two regimes, production of North China cotton and unification of currency, and issued a manifesto approving the peace conditions set forth in the Konoye declaration of December 22, 1938.

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g. Projected further devaluation by the "Provisional" Government of Chinese national currency:

The "Provisional" Government issued January 3 an order that notes of the Bank of China and the Bank of Communications in North China would be effective

February

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9. Embassy's (Peiping) 35, January 17, 3 p.m.; 39, January 20, 3 p.m.; 50, January 24, 5 p.m.; 51, January 25, 1 p.m.
 10. Embassy's (Peiping) 4, January 4, 5 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

- 2 -

February 20 at a 40 percent discount. (The first devaluation of 10 percent was effected August 8, 1938.) This was another step toward the final banning of such notes from circulation projected for March 10, 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

DOCUMENT FILE

NOTE

SEE 894 194.00 P.R./135 FOR Despatch # 3742

FROM Japan (Grew) DATED March 13, 1939.
TO NAME 1-1127 470

REGARDING: Sino-Japanese relations.

Report concerning -, for month of
February, 1939 .

sa

793 .94/ 14868

14868

II. RELATIONS WITH OTHER COUNTRIES.

(a) China.

(1). Terroristic Activities in Shanghai.

793.94
The situation that developed during the month at Shanghai over the terroristic acts in the International Settlement was given full publicity in Japan. A demand was made in the Diet that the Japanese Government employ all practical means, including those of force if necessary, to ensure the maintenance of peace and order in the Settlement. Both the Foreign Minister and the War Minister made official statements regarding the subject. The former expressed the opinion that the terroristic acts involved the right of self-defense, and that the Japanese Government has in mind plans to deal with the situation both at the time being and from a more permanent point of view; but, he explained, the right of self-defense would not be prematurely invoked. The War Minister stated that so long as the Municipal Council was unable to guarantee the safety of the lives of Japanese nationals and pro-Japanese Chinese in the Settlements, the Japanese Government could not rely on the present policing of the Settlement, and that if such a situation continued there would be no help but for Japan to take appropriate and effective measures of self-defense.

In

-11-

In the editorials that appeared in the local press on the situation, support was generally given to the demand made in the Diet for Japanese action in regard to the International Settlement. Comment was made that the present Municipal Administration in Shanghai was insincere and incompetent, and it was put forward in some sections of the press that self-protection stands above treaty rights and that if the International Settlement authorities are unable to guarantee the safety of the lives of the Japanese and Chinese the authorities forfeit in part their police powers. In taking up the remark made by the Foreign Minister that Japan would deal with the situation "from a more permanent point of view" the opinion was asserted in the editorials of several newspapers that a permanent and fundamental solution of the whole question of the Settlement should be evolved along lines of rendition of the foreign concessions and abolition of the system under which China is treated by foreign Powers as a colony. At the same time other editorials, in alluding to possible future Japanese measures, made no reference to the abolishing of foreign treaty rights and concessions in China but expressed the view that Japan should displace the predominant position of other countries, particularly that of Great Britain, in the administration of the Settlement and, above all, gain control of the policing power of Shanghai.

It is noticeable and significant in connection with Japan's attitude toward Great Britain over the Shanghai situation that whereas no report appeared in the Japanese press of the American Ambassador's representations regarding the situation in Shanghai, the British representations were given wide publicity, obviously in an effort to center attention on Great Britain.

(2).

-12-

(2). Occupation of Hainan Island.

The occupation of Hainan Island, begun on February 10 and practically completed by the end of February, as well as being the major military operation during the month was a move of considerable political significance. Although the Government announced that the occupation was carried out because it was deemed necessary from a military standpoint in order to prevent the importation of war supplies to the Chinese in southwest China, it is noted that the Japanese military forces had been in possession since last autumn of Waichow Island from which base the Burma and Indo-China supply routes to China could be reached by aircraft without difficulty and the traffic in the Gulf of Tongking readily controlled. With the occupation of Hainan Island, however, a position of far greater tactical and strategical importance has been obtained by the Japanese. For, if the Island is converted into a well-equipped naval and air base, not only will it dominate the whole coast of the Asiatic Continent between Hong Kong and the southern tip of the Indo-China peninsula but its holders might be able to check all traffic into and out of Hanoi and effect control of the South China Sea between the mainland and the island of Luzon and limit the sphere dominated by Singapore. Moreover, the seizure of the Island may have further possible significance in relation to the Japanese southward advance policy: with Japanese Mandated Islands to the east, Formosa to the north, the taking over of Hainan Island will, in effect, constitute semi-encirclement of the Philippine Islands by Japanese controlled islands.

(3).

-13-

(3). Military Operations.

Aside from the joint military and naval occupation of Hainan Island, no military events of major importance occurred during February and what operations were reported were directed against remnants of Chinese troops and against guerrilla bands in Japanese-occupied areas. The most notable of such campaigns took place in southern Hopei, and western Shantung provinces. The Japanese during the first part of the month claimed to have encircled between 50 and 70 thousand Chinese troops, under General Lu-Chung-lin, in southern Hopei Province in and around Kih sien and Nankung. No major battles were reported but Japanese announcements claimed that with four divisions they had been able to occupy considerable territory formerly held by the Chinese and hoped to trap the entire Chinese forces.

Some further fighting was reported in southwestern Shansi, in northeastern Honan near Taikang, in north and central Shantung, in Kiangsu near Pinling and near Hangchow, and to the north and west of Canton, and it was announced that in the Wuhan area a number of engagements took place between Japanese forces and Chinese guerrilla bands and regular army units. On the Nanchang front further minor skirmishes continued to occur along the Hsiushui river line although there appears to have been no apparent desire on the part of either side to undertake decisive measures. On the same front the only serious fighting which occurred was that in the Loshan Mountains around Kuling, where the Japanese started their offensive to make a final cleanup of the Chinese forces which have been encamped in these mountains since last summer.

The

-14-

The principal Japanese aviation activities occurred in northwest China where Chengchow in northern Honan and various towns in Shensi were raided on a number of occasions, several air-raids also having been made on Lanchow in Kansu Province. The Japanese claimed to have destroyed during these raids on Lanchow 124 planes in the air and on the ground, while admitting the loss of only two heavy bombers. Other scattered raids on various towns in Central and South China were reported.*

(4). General Relations.

Much publicity was given during the month under review regarding Japanese plans for the economic and commercial development and control of China. With regard to North China in particular, it appeared that every effort was being made to carry out Japan's program of exploitation. No new political developments were reported in regard to the new puppet régimes in the Japanese-occupied areas of China nor in regard to the establishment of a central government for those areas.

DECLASSIFIED: E.O. 11652, 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 393.1163 American Church FOR Telegram # 81, 3 p.m.
Mission/81

FROM Hankow (Jarvis) DATED April 5, 1939
TO NAME 1-1127 ***

REGARDING: Japanese bombing of Changsha area:
Quotes telegram from senior British
Naval officer at Changsha, reporting
details of -, including bombing of
American Church Mission compound.

793.94/14869

14869

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

~~LE~~
FE

EDA

PLAIN

HANKOW VIA N.R.

Dated April 5, 1939

Received 4 a.m. 6th

Secretary of State

Washington

81, April 5, 3 p.m.

Following telegram dated April 4, 1939 received at this office today from senior British Naval officer Changsha, Hunan.

"Two Japanese machines bombed Changsha today. One bomb fell in garden of American Church Mission compound demolishing east wall. Two others fell outside within twenty yards of Mission buildings and a fourth a hundred yards away. No mission casualties. Although American flag was not (repeat not) showing at the time, buildings are conspicuous among ruins of five and are clear of military objectives. Damage to property slight. Some machines later dropped about four bombs near military police headquarters outside gates. Estimated Chinese casualties 20 killed and 120 wounded. Details concerning bombing of Mission are from personal inspection".

Representations made to Japanese Consul General here today.

Maps

note
793.94

393.1163 Am. Church Mission 181

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

EDA - 2 - #81, April 5, 3 p.m. from Hankow

Maps indicating all known American properties in
Changsha sent to Peiping July 11 and August 8, 1938 and to
Shanghai July 7 and August 6, 1938.

Repeated to Chungking, Peiping, Shanghai. Peiping
please repeat to Tokyo.

JARVIS

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

DOCUMENT FILE

NOTE

SEE 890.00/138 FOR memorandum

State Department
FROM Far Eastern Division (Salisbury) DATED Jan. 26, 1969
TO NAME 1-1127 070

REGARDING:

Sino-Japanese relations.

Report of developments during the
past week.

aa

795.94 / 14870

14870 -

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

DOCUMENT FILE

NOTE

SEE 893.51/6855 FOR Tel # -, 6 p.m.
FROM Yunnanfu (Meyer) DATED April 3, 1939.
TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations.

Officials of Chinese government are negotiating
for further cooperation from the Russian
government. Russia is already giving China
considerable amount of material support, and
it is expected that airplanes will be brought
into China if needed.

aa

793.94/14871

14871-

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

*Copy in paraphrase
sent to Treasury
in strict confidence.*
TELEGRAM RECEIVED

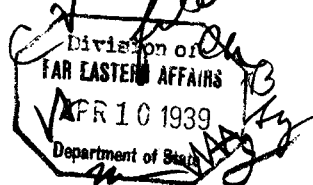
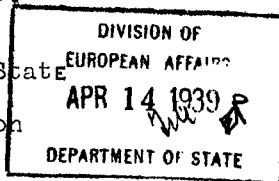
AC
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (Br.)

FROM Moscow

Dated April 8, 1939

*rec'd
of paraphrase*
COPIES SENT TO
O.N.I. AND M.I.D.
in confidence. E.J.L.

Secretary of State
Washington



172, April 8, 3 p.m.

773.94/13041

My telegram No. 120, May 18, 1938 and previous.

Foreign press has reported the recent departure
by air from China for Moscow of Sung Fo and rumors
have been circulating to the effect that he is now here,
presumably in connection with the solicitation of further
Soviet aid to China, either financial or material. It
has been impossible to obtain either a confirmation or
denial of the rumors of his presence. The Chinese Embassy,
however, has within the past week held itself incommuni-
cado and has avoided all efforts to approach the members
thereof in accordance with the practice followed by that
Embassy on the occasion of Sung Fo's previous visits here.

MIRK

PEG

793.94/14872

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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. 172) of April 8, 1939, from the American Embassy at Moscow reads substantially as follows:

The Embassy has not been able to obtain either a denial or a confirmation of rumors which have been circulating to the effect that Sun Fo whose recent departure from China for Moscow by airplane was reported in the foreign press is now in Moscow. However, during the past week the Chinese Embassy has held itself incommunicado and has evaded all attempts to approach the members of the staff in accordance with that Embassy's custom at the time of former visits of Sun to Moscow. Sun's visit is assumed to be for the purpose of appealing for additional assistance--either material or financial--for China from Russia.

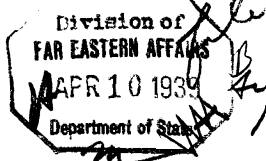
793.94/14872

292.
FE:JCS:JPS
4-10

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

TELEGRAM RECEIVED



MG

FROM GRAY

Yunnanfu via Chungking
and N.R.

Dated April 8, 1939

Rec'd 2 a.m., 10th.

Secretary of State,

Washington.

April 8, 8 p.m.

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

egf

793.94

Japanese planes numbering 23 visited Yunnanfu at 3:30 this afternoon and heavily bombed the air field located about three miles southeast of the city. Approximately one hundred bombs were dropped there totally destroying a number of Chinese planes on the field and damaging others. A few bombs are reported to have been dropped elsewhere in the environs of the city but this has not yet been confirmed. There were few casualties. Chinese report two Japanese planes shot down but this had not been confirmed. So far as is known no Chinese planes were lost except those on the field. I have not received reports of any American casualties. One Eurasia plane was damaged. Repeated to Peiping.

MEYER

CSB

APR 12 1939
FILED

793.94/14873

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

No. 47.

AMERICAN CONSULATE,

Division of
FAR EASTERN AFFAIRS
APR 11 1939
Department of State

1939 APR 10 11 11 36

Tainan, China, March 9, 1939.

SUBJECT: CONDITIONS IN CHENGCHOW, HONAN.

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

Willys R. Peck, Esquire,

American Chargé d'Affaires ad interim,

Peiping.

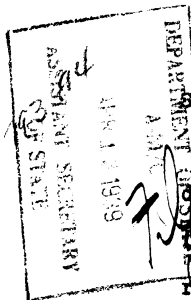
Sir:

I have the honor to refer to this Consulate's
despatch no. 29, of January 26, 1939, file 881/800
(page 3), and to report the following which has
recently been obtained from a foreign source at
Chengchow (鄭州):

Despite the repeated bombings by Japanese planes
to which Chengchow has been subjected, the morale of
the Chinese defenders of that place, who are largely
composed of seasoned veterans, is very high, and the
Chinese positions there are still strongly held. With-
out considerable reinforcements it is not believed that
the Japanese forces in the Kaifeng area can cross the
Yellow River which separates Kaifeng from Chengchow.

In the Consulate's despatch referred to above it
was stated that "the Chinese plan in the near future to
take up the section of the Lunghai line between Cheng-
hsien¹ and Loyang in furtherance of the same project,"

1. Chenghsien is the new name for Chengchow.



793.94/14874

F/16

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

- 2 -

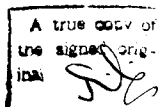
1. e., the extension of the line from Sianfu, Shensi,
to Lanchow, Kansu. This, according to the Consulate's
informant, is now in progress.

Respectfully yours,

Carl O. Hawthorne,
American Vice Consul.

800
COH/KCC

Original to Embassy, Peiping,
Five copies to the Department,
Copy to Embassy, Chungking,
Copies to Consulates General at
Shanghai, Tientsin and Hankow,
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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Swatow/135 FOR #43

FROM Swatow (Young) DATED March 3, 1939.
TO NAME 1-1127 o.p.

REGARDING: Sino-Japanese situation: developments for the month of February, 1939.

FRG.

793.94 / 14875

14875

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

(b) Relations with Japan.

February witnessed a continuation of the policy of the Japanese aerial units making almost daily reconnaissance flights over various sections of Eastern Kwangtung with but little recourse to bombing. During the afternoon of February 25th three planes dropped eight bombs near Swabue (汕尾), a small coast port approximately 120 miles South-west of Swatow, with the possible intention of destroying a quantity of salt stored there by the Chinese Government Salt Administration and destined for shipment to the interior. No casualties resulted and but slight damage, so the raid can hardly be considered a success.

Again on February 27th five bombs were dropped by three Japanese planes at Kwailai (惠來), a small

port

DECLASSIFIED: E.O. 11652, 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-

port 25 miles south-west of Swatow and again there were no casualties nor damage reported.

Frequently throughout the month unverified reports were received of Japanese naval vessels having been at anchor for a few hours at various ports along the coastline of Eastern Kwangtung, but no attempts were made to effect landings and no particular importance was attached to their activities.

The feeling is prevalent in Swatow that an early occupation of the city by Japanese armed forces does not fit in with the present plan of the Japanese High Command, for while it is not anticipated that much resistance will be offered in the city itself there are reported troop concentration of constantly varying size at strategic points in the hinterland, whose suppression will require the presence of a considerable number of Japanese troops. At the present time with Japanese military activities spread out over such a wide area, it is not felt that the institution of still another new campaign would prove feasible.

Recently approximately fifty motor trucks have been landed in Swatow for delivery to the interior and while some of them are not specifically constructed for military use they can all be pressed into service for military purposes when the necessity arises. It has not been found that munitions have entered through Swatow as yet but the feeling is

becoming

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

-4-

becoming general that should Swatow be utilized as a principal port of entry for either munitions or military supplies there will be more reason to expect Japanese occupation.

Reports of troop embarkation in Formosa toward the end of the month gave rise to a fresh number of rumors that Swatow would be invaded during the first week in March, but the best opinion available is inclined to discount these rumors while granting that various sorts of demonstrations may be made by the Japanese in an attempt to intimidate the civilian population, ascertain the strength of Chinese troops stationed in this vicinity and prevent the removal of such troops to other areas where actual hostilities may be in progress. What form these demonstrations may take is not ascertained but air raids and possible naval bombardment of the coast has been suggested.

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. Amoy/137 FOR #16

FROM Amoy (MaeVitty) DATED March 3, 1939
TO _____
NAME _____ 1-1127 070

REGARDING: Sino-Japanese situation: developments for the month of Feb.,
1939.

793.94/
14876

FRG.

14876

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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

(b) Relations with Japan.

1. Military Activity.

793.94
As stated in the summary of this report there was firing of both machine and large guns from Amoy directed toward the mainland during the month. However, the status quo has not been changed since the occupation of Amoy; the Chinese army occupying practically all points on the mainland, and the Japanese garrison at Amoy only numbering 2,000 men. From all indications it would not be a difficult task for Chinese troops to recapture Amoy should they so desire.

On February 18th, the Japanese published in their Amoy papers a statement to the effect that they would practice firing of their large guns on

February 19th.

- 6 -

February 19th. No one seems to understand the cause of this notification, but the general opinion is that the notification was given in order to prevent Chinese on the mainland from returning the fire.

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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THE WHITE HOUSE
WASHINGTON

March 29, 1939.

MEMORANDUM FOR THE SECRETARY OF STATE:

For preparation of reply.

F.D.R.

793 24 / 14877

Division
FOR EASTERN AFFAIRS
MAR 29 1939
Department of State

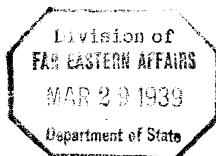
OFFICE OF POLITICAL RELATIONS
MR. HORNBECK
APR - 1 1939
DEPARTMENT OF STATE

Reply draft
for President's
signature

April 6 1939

077

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



As from Chungking, China
March 25, 1939.

Dear President Roosevelt:

113.9
93

In the middle of last December I asked your Ambassador Mr. Nelson T. Johnson, who was returning to Washington on leave, to bring to you a short letter of mine and to present to you my views concerning the Far Eastern situation. During the three and half months which have since elapsed, I have been much impressed by the increasing interest and growing concern with which the Government of the United States has followed the developments in this country. At the same time there have been taking place in other parts of the world momentous events which together with Japanese aggression in China have brought about a noticeable change of public opinion in the United States and which have thus given a powerful impetus to the policy you have been pursuing in the interests of liberty and democracy.

113.94/14871
JL 21 1939
FILED

The United States was the first country which rejected, in an official communication, Japan's preposterous claim to establish the so-called "New Order" in East Asia. The American Government rightly pointed out that many of the changes in this part of the world had been brought about by the action of Japan herself. It is most reassuring to hear the American

Honorable Franklin D. Roosevelt,
President of the United States,
Washington, D. C.

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

15508

-2-

the American declaration that no Power has the right to constitute itself the repository of authority and the agent of destiny in regard to the areas not under its sovereignty. Emphatic re-enunciation by the United States of the principle of inviolability of treaties and rights and obligations which rest upon treaty provisions served indeed as a serious warning to the aggressor. I am pleased to note that the pronouncements thus clearly and opportunely made by the Government of the United States have brought forth representations of a similar nature to Japan from the Governments equally concerned.

I have been following with immense interest and pleasure your public utterances in which you so often and so consistently denounced acts of aggression and advocated defence of democracy and international good faith. I was especially moved by your eloquent speech made early in January before the Congress in which you said that at the very least the United States could and should avoid any action or any lack of action which would encourage, assist or upbuild the aggressor. As was truthfully pointed out by you, certain laws originally designed to meet certain state of affairs existent between two states may, contrary to the wishes of their framer, operate unevenly and unfairly and may actually give aid to the aggressor and deny it to the victim of aggression. I trust that at your initiative and under your guidance, efforts will be made to distinguish between the party who attacked and the party who defended and thus remove the possibility of unintentionally giving advantageous treatment to the aggressor.

I am

-3-

I am happy to recall that the discussions between American financiers and Chinese representatives which, as you assured me in November of last year, were receiving your most careful and sympathetic consideration, resulted in the conclusion on February 8, 1938, of an agreement extending to the Universal Trading Corporation commercial credits to the total amount of twenty-five million dollars. Such financial help coming as it does at a time when Japan is mapping out her plan of subjecting China to her economic domination after military conquest has morally produced the most favorable effect everywhere, besides great material benefit accruing to China. It has increased the courage and confidence of our people, it has caused other countries to give us similar aid, and, what is more, it has brought home to Japan the plain fact that the United States will never abandon China as a co-member of the family of nations. I take this opportunity to acknowledge the debt of gratitude we owe to you and to the American people in this hour of China's national crisis.

International lawlessness is no longer confined to East Asia. Unchecked and uncombated, it has spread like a contagious disease which is devouring its victims with apparent impunity. One act of aggression encourages and breeds another. Successful overthrow of law and order in one part of the world inevitably leads to an attempt of a similar coup in another. Had Japan been effectively checked by the concerted action of the Powers during her invasion of Manchuria in 1931, subsequent events not only in China, but in other parts of the world would have taken a different course, and humanity would not have to
live as

0776

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

15510

-4-

live as it does now so much in fear, agony and despair.

Japan's continued military aggression in China, coupled with the developments in Europe pregnant with the immediate danger of a world catastrophe, seems to have provided a new background for the trend of thought of a great number of American people with the result that you will be able to proceed with greater effect and success. All peace-loving nations are now fervently praying that the United States may play a leading role in re-establishing international peace and order and saving world civilization from total destruction. And it is the fondest wish of China that the United States in undertaking this task will commence by bringing Japan to an early and full realization of the wisdom and necessity of abandoning her adventure in China; for when skies in the Far East are clear, dark clouds that are now hovering over Europe will also disappear. Thus whether international relations will yet return to normal or are doomed to be permanently characterized by brute force chiefly depends upon the noble efforts of the United States and of you, its great and able leader.

(Signed) Chiang Kai-shek

0777

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

15511

April 6 1939

My dear Mr. President:

In response to your memorandum of March 29, 1939, there is enclosed for your consideration a draft of a letter to His Excellency General Chiang Kai-shek, Chairman of the National Defense Council of the Chinese Government, in reply to his letter of March 25, 1939, which the Chinese Ambassador handed to me for transmission to you.

If you approve of the draft letter, I would suggest that upon signature it be returned to this Department for forwarding to General Chiang through our Embassy at Chungking.

The letter from General Chiang is returned herewith.

Faithfully yours,

Cordell Hull

(For enclosures
see following page.)

The President,
The White House.

[Handwritten signature]

[Stamp: A. L. ...]

793.94/14877

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

-2-

Enclosures:

1. Draft of letter to
General Chiang Kai-shek.
2. From General Chiang to
the President, March 25,
1939, returned.

CR *son*

APR 5 1939. PM

Handwritten initials
 FE:JCV:HES
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0719

DECLASSIFIED: E.O. 11652, 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 General Chiang:

I greatly appreciate having your letter of March 25, 1939, which the Chinese Ambassador here, Dr. Hu Shih, delivered to the Secretary of State, Mr. Hull, for me; and I have read with interest and care your comments upon recent evidences of the attitude and policy of the Government of the United States toward developments in the Far East and in the world at large. I have also noted attentively the views you express on the situation in the Far East in its relation to world events.

I recall that, in an address given by you at Chungking in December last, you declared that "Internationally, our object is to support righteousness and justice, restore the prestige of treaties, and re-establish peace and order", and you expressed confidence that "The force of world justice will rise, and men of goodwill ultimately co-operate in the interests of rectitude". Such also are the objectives of this Government and I am happy to join in your expression of confidence with regard to the future.

Very sincerely yours,

His Excellency
 General Chiang Kai-shek,
 Chairman, National Defense Council,
 Chungking, China.

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

DEPARTMENT OF STATE

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THE SECRETARY

The attached was
handed to Secretary Hull
by the Chinese Ambassador,
March 29, 1939.

178
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75



GENERALISSIMO CHIANG
ASSAILS
KONOYE'S STATEMENT

Published by
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Last page



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178

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GENERALISSIMO CHIANG ASSAILS PRINCE KONOYE'S STATEMENT

Addressing the weekly memorial meeting at the Central Kuomintang Headquarters, Chungking, on December 26, 1938, Generalissimo Chiang Kai-shek declared at some length that the various statements recently issued by spokesmen of the Japanese Government only testified to Japan's ambitious designs of completely subjugating China and dominating the Far East. He especially dwelt on Prince Konoye's statement made on December 22 and took to task point by point the issues raised by the Japanese Premier.

The following is a translation of the complete text of Generalissimo Chiang Kai-shek's speech:

Comrades, our Resistance has now entered a new phase. I have recently pointed out on several occasions that the past eighteen months may be called the first period of our Resistance or the preliminary period. We have now entered upon the second or latter period. At present, on both northern and southern warfronts the excellence of our soldiers' morale and fighting spirit provides an auspicious sign unprecedented since the war commenced. Our soldiers are fully aware that in this war our enemy is bent on subjugating China completely and that we must take the most drastic measures to save our country. Their determination is, therefore, extraordinarily strong and their spirit roused to the uttermost.

Our people also understand that the enemy will not pause until he has fully realized his malevolent designs and the ultimate aim of his aggression in the destruction of China. If we do not seek life by braving death we cannot expect to survive in any fortuitous way. Thus, difficult as our situation may be, our soldiers and people are equal to it in the firmness of their

determination. With the realization of our national peril shared alike by those at the front and in the rear; with every citizen striving through hardships and sacrifices, unremittingly and unyieldingly, towards victory, I firmly believe that the object of our Resistance can be attained.

Our enemy, conscious of our determination and unified will, has, apart from military operations, tried to trick and menace us in various ways. Following the manifesto issued by the Japanese Government on November 3, several paradoxical and fallacious statements made by the Japanese Prime Minister, the Minister of War, and the Ministers for the Navy and Foreign Affairs have appeared. These statements are heterogeneous and contradictory. They were intended to misguide the people at home and deceive the world at large. In particular they were intended in various ways to delude, drug or threaten our people, as the case might be. They were seconded and echoed in Japan by public and private expressions of views either in stronger or milder language. On December 22, the Japanese Premier made the announcement of Japan's readiness to readjust relations with a "China Reborn." That may be regarded as the culminating feat of Japanese verbal sorcery which affords us a complete view of its features and motives.

Konoye's statement is intrinsically nothing more than sheer wearisome repetition of canting phrases. Solemnly engaged in our Resistance as we are, it would seem unnecessary for us to pay any attention to it, let alone refute it. Considering it, however, together with the enemy's deeds and words of the past months, we perceive that the statement, though superficially vague and incoherent, has a keen edge hidden beneath. It might be called, in fact, a complete exposure of the fantastic Japanese programme to annex China, dominate East Asia and further even to subdue the world. It is also a complete revelation of the details of the enemy plan to destroy our country and exterminate our race.

Our enemy is especially gifted in the ability to play on words, advance fallacious contentions, and lay smoke-screens in working the ruin of his victims. For instance, Konoye's statement was followed by that of a Japanese Government spokesman who declared on December 24, that the Premier had expressed the essential terms to be required of China, and further took it upon himself to say that they embodied the views of the moderates in Japan. Such are their insidious tricks and laughable posturing.

My deep concern is that there are perhaps a small number of people in the world who may not appreciate what a menace lurks behind the smoke-screen but who may regard the issue raised as more or less innocuous. Hence I will thoroughly expose the mind of the Japanese so that our own people may be warned and friendly nations perfectly understand to what extent world peace may be jeopardized and humanity imperilled if they have full rein.

What I wish to draw the attention of all to is the barbarism of the Japanese militarists, their insanity, their practice of deceiving themselves and others, and their gross ignorance. What is most urgent is that all should realize that Japan is determined to swallow China entirely. Taking Konoye's statement of December 22 as the pivot for my observations, I shall now recall what Japanese popular sentiment has championed during the past few months and what cabals and slogans have been actually put into practice. By analysis, a comprehensive understanding may be gained. For convenience of narration, I shall first draw attention to the following four points:—

(1) The so-called creation of a new order in East Asia. The Japanese take special pride in this slogan. According to the Japanese Foreign Minister, Arita, in his explanation of December 19: "The new order in East Asia consists in Japan, Manchukuo, and China assisting and co-operating with each other closely in politics, economics and culture to combat the Red Peril, to protect Oriental civilization, to remove economic barriers, and to help China to rise from her semi-colonial status so as to secure peace in the Far East." On December 14, Konoye also said: "The ultimate objective of the China Incident lies not merely in achieving military triumph but in a rebirth of China and the erection of a new order in East Asia. This new order will be based on tripartite co-operation of a new China with Japan and Manchukuo." Let all observe that what he meant by a China reborn was that independent China was to perish and in its place an enslaved China created, which would abide by Japan's word from generation to generation. The so-called new order would be based on the intimate relations that would tie the enslaved China to the Japanese-created Manchukuo and Japan herself. What is the real aim? Under the pretext of opposition to the "Red Peril," Japan seeks to control China's military affairs; claiming to uphold Oriental

civilization, Japan seeks to uproot China's racial culture and by urging the elimination of economic barriers, she aspires to exclude American and European influence and dominate the Pacific. Again, the so-called "economic unity" of Japan, Manchukuo and China is the instrument she intends to use for obtaining a strangle-hold on China's economic arteries.

Let us try to realize the immense evils with which the words "creation of a new order in East Asia" are pregnant. In a word, it is a term for the overthrow of international order in East Asia, and the enslavement of China as the means whereby Japan may dominate the Pacific and proceed to dismember other states of the world.

(2) The so-called "unity of East Asia," "indivisibility of Japan, Manchukuo and China," "linked relations of mutual assistance between Japan, Manchukuo and China." To make a "homogeneous body" of East Asia has been a much-tooted Japanese slogan during the past few months. The application of this slogan is broader, vaguer and more general than that of the so-called "economic unity" or "economic bloc." Advancing the theme of an "indivisibility of Japan, Manchukuo and China," the Japanese aim to absorb China politically, economically, and culturally into one body with their own country. Japanese periodicals have maintained that the structural relationship of the "East Asia unity" should be vertical with Japan at the summit, and not in any sense horizontal; the system of relationship should be patriarchal, with Japan as patriarch and Manchukuo and China as offspring. In other words, the former is to be the governor and master while the latter are to be the governed and underlings.

What is it if it is not annexation? What is it if it is not the total extinction of China? Konoye's phrase, "the establishment of linked relations of mutual assistance in matters political, economic and cultural between Japan, Manchukuo and China," puts me in mind only of *links* of manacles and shackles. His "linked relations" would be the forged chains in which we should be dragged down into a pit whence we should never escape.

(5) The so-called "economic unity" and "economic bloc." This has been promoted for many years by the Japanese, and the thesis has recently been as prevalent as ever and has even made rapid headway. It is essential to the proposed "homogeneity of East Asia." They have rung many changes

on the wording of the slogan: they have called it on occasion "economic reciprocity" and "economic co-operation." In the manifesto of the Japanese Government issued on November 3, it was described as "economic union." In the latter part of November enemy newspapers printed the headline "Japan, Manchukuo and China are to form an economic unit and henceforth share a common fate." Subsequently Arita in his statement of December 19 said: "Japan has resolved to convene an economic conference to bring about an intimate economic confederation between Japan, Manchukuo and China and to invigorate the resulting economic monad."

Japan has, in fact, already installed such instruments of economic aggression as the "North China Development Company" and the "Central China Development Company." Economic conversations have already been held more than once by self-styled representatives of Manchukuo and China with those of Japan. What the Japanese call their "Planning Bureau" adopted, two days after Konoye's statement was made, a resolution urging "the expansion of the productive capacity of Japan, Manchukuo and China." The "economic bloc" is designed to be the means of not only taking control over our customs revenue and finance and of monopolizing our production and trade, but also of gradually limiting the individual freedom of our people even in regard to what they eat and wear, where they live and whither they move. The Japanese are to do as they please: to have power among us over life and death, the power of binding and loosing: we are then to become their slaves and cattle, and to have our substance devoured beneath the lash of tyranny.

(4) The creation of the so-called "Asiatic Development Bureau." This organ was introduced after much agitation for a medium through which to deal with China. A "China Bureau" was once projected, which has now given way to this "Asia Development Bureau." The comprehensiveness of this term is a flagrant insult to all the peoples of Asia. Japan is set not only on ruining and dismembering China alone, but her ambition embraces the entire Asiatic Continent.

On the day before the official inauguration of this "Asia Development Bureau" on December 15, Konoye stated that "a new executive organ should be constituted for creating a new order in East Asia: this organ in conjunction with other organs abroad will maintain coherent relations between Japan and

China: it will become the key to executing our China policy, the fulfillment of which is our final object in regard to the China Incident." This should serve to acquaint all with the true function of the organ: to be the means of executing a policy designed to destroy China. For it may be described as Japan's highest special service organ combining all the special service branches long set-up all over China for the working of all manner of villainy, which formerly operated with the greatest stealth because it was regarded premature to work openly. Now, however, they boldly unmask themselves and are accorded official status. By the establishment of the "Asia Development Bureau" a concentrated light is thrown upon the means and ends of Japanese policy; the tortuous and obscure devices pursued for years are seen with their supreme aim confessed. All concealment is at an end.

The Japanese harp on the words "construction of China" by which they really mean the destruction of free China simultaneously with the "construction" of an enslaved China.

Bearing in mind what I have said above, we will now examine Konoye's statement of December 22 to gain an accurate conception of its content without being fooled by the mist of verbiage. I shall draw attention to a number of noteworthy points:

First, the gist of the statement is the so-called collaboration between Japan, Manchukuo and China for the building of a new order in East Asia. He said that his purpose was to make clear the Japanese Government's true intentions both to China and other countries. His real object was of course to address the American, European, and other countries of the world; thus he exercised special care in the manipulation of words in his attempt to produce an impression that what Japan desired of China was neither territory nor war reparations and that he was not concerned for the particular interests of Japan but for the good of the general situation in the Far East. He even ventured to say that Japan desired China to become a completely independent state. Further, he appeared solicitous over the abolition of consular jurisdiction and foreign concessions in China as if Japan had no designs to detract from China but actually to add. He assumed that the world was still ignorant of the true point behind the creation of a "new order in East Asia" and would be duped by his poor quibbling. The pivotal consideration of destroying the true China and of

substituting a Japanese China being realized, "territory" for Konoye would merely be the area over which Japan had gained control, and "resources" would be what Japan had virtually possessed herself of. When both were stowed away as swag, Japan could well dispense with irrelevant demands to partition territory and obtain reparations. Since his lust is our entire territory, our entire resources, and our entire population, Konoye could gladly afford to declare Japan to have no desire for any particular part of our "territory," or for a portion of our substance as "reparations."

From China's standpoint, any question of war indemnities and so forth would turn on the determination of the party responsible for the war. It is too obvious that Japan began by invading our sovereign territory. Where the responsibility of aggression rests is common knowledge to everybody. What Konoye attempted to say in fact merits no attention. As regards consular jurisdiction, were Japan allowed the full control of China, it would become a matter of supreme superfluity to speak of it. What has been called "the return of the concessions" would be the turning over of them all to Japan. Popular sentiment in Japan has indeed agitated not only that the foreign concessions be taken over but that they be made into one large Japanese concession. If China should recognize the so-called "new order in East Asia" as well as "the collaboration of Japan with Manchukuo and China," Japan would not be averse to transforming our entire sovereign territory into a huge Japanese concession. In that case, if China did not actually become a slave-state, she would descend to the status of a protectorate, which in essence would be equivalent to annexation by Japan. When Konoye goes so far as to speak of causing China to become a truly independent state, who will fail to recall the status of Korea as defined in the Treaty of Shimonoseki?

I can say with certitude that before Konoye made his statement there was hope entertained by a section of the world that Japan might repent. But since the statement appeared, I can confidently say that no one in China who is able to distinguish right from wrong and who understands current events will again harbour the thought of recovering peace by compromise.

Second, among the other important points raised in Konoye's statement, apart from the collaboration of "Japan, Manchukuo and China," are "economic co-operation" and "joint opposition

to communism." I have dwelt on the nature of "economic co-operation" when I dealt with the so-called "economic bloc." I need not add more. What was meant by "joint opposition to communism" was having China participate in the Anti-Comintern bloc, stationing Japanese troops on Chinese territory and setting Inner Mongolia aside as a special area for combating communism.

We need not examine the significance of the so-called "joint defence against communism." While we are engaged in putting the Three People's Principles into practice in China, it is pointless for us to discuss "joint defence against communism." We may say that, by pretending that motive, Japan first aspires to control our military affairs and proceed therefrom to manage our politics, culture, and even the conduct of our diplomacy. This was what Japan had been striving hard, but in vain, to achieve in the years before we began our Resistance on July 7, 1937,—the failure of which effort the Japanese heartily disliked. Because we were unwilling to succumb to this artifice, we endured a multitude of hardships until the final moment came when we decided to make nation-wide sacrifices by launching the Resistance. If we could consent to the demand for "joint defence against communism," should we have tarried until today?

Certain sections of the world entertain the view that what Japan designated as "anti-communism" was really directed against Soviet Russia. The truth remains that Japan entered into the Anti-Comintern Pact, and "joint opposition to communism," neither to combat communism nor Soviet Russia, but to make use of that pretext in destroying China. If it contains any element of being directed against Russia, it is a very tiny constituent: the overwhelming element is aimed at the destruction of China. If not, and if the point were Japan's national defence against Soviet Russia, then wherefore, during the Changkufeng Affair in July and August, did the Japanese Ambassador at Moscow, Shigemitsu, retreat and finally yield so ingloriously before the Soviet Russian Foreign Minister? We can be sure that anti-communism now brought up by Japan is merely for use in deceiving world perception abroad, and her own nationals at home. And also a ruse to obtain from China the right to station troops in China and completely control Inner Mongolia.

Clearly, if we could consent to Japanese troops being stationed in China, and Inner Mongolia being set aside as a

special area, we should not have begun our Resistance on July 7, 1937. If we had been over-awed by Japan so as to allow her troops full rope in North China, we should not have fought our way to Peiping when our revolutionary army was blocked by Tanaka's forces in Tsinan in the seventeenth year of the Republic (1928). We should have politely offered Japan North China and Inner Mongolia. But in the period of revolution, when our revolutionary force had gathered momentum and when the Three People's Principles had evolved, no hardship could prevent our reaching our destination. There was no power that could stop us. Konoye's demands betray a lack of understanding of the present-day China. He knows neither Japan nor China. He further does not recognize current tendencies or the true modern China. He also declared that without the Japanese army being stationed in China, the "new order in East Asia" could not be founded. What is this so-called "new order in East Asia"? Has not its nature been rendered increasingly more apparent to our people and the friendly nations of the world?

Third, in the latter section of Konoye's statement it is demanded that China accord Japan special facilities in developing North China and Inner Mongolia. This is again making capital of the term "joint defence against communism" to monopolize China's national economy, and repress our vital economic freedom. Furthermore, it is also demanded that Japanese subjects should be granted rights to reside and trade in the interior of China. Superficially, the demand appears quite harmless. Unfortunately, Konoye does not seem to be aware of the deep and general impression Japanese subjects have created in the mind of our people by their evil-doings in the past. Truly, the very mention of Japanese subjects reminds our people only of Japanese special service organs, exploits of Japanese ronin, as well as of opium smuggling, morphine peddling, white-powder manufacturing, heroin retailing, the operating of gambling dens and houses of ill-repute, arms smuggling, conspiring with bandits, engaging loafers, training traitors, and other Japanese devices for creating disturbances, and debasing our people, either by means of drugs or encouraging outlawry.

Freedom to reside and trade with all freedom could be considered for other nationals in future after China's jurisdictional rights are completely restored. For Japanese

nationals, however, unless we are prepared to endure their poison, their disturbance, unless we willingly forfeit our prerogative to maintain peace and order, and unless we voluntarily allow them to destroy our salutary customs and traditions, and allow them to suck at our economic veins, no one would consent. The Japanese ought not to let certain things slip their memory. Is not this right to reside in the interior and freedom to trade, similar in essence to the Japanese demand years ago for concession agreements in China's Northeast? In the eighteenth year of the Republic (1929) Arita, present Japanese Minister of Foreign Affairs, then in the capacity of the Director of the Asiatic Bureau, went to Nanking under instructions of the Japanese Premier Tanaka to carry on negotiations. Arita was refused because we would rather see our Northeast occupied by the Japanese Army than enter into unequal treaties which would imperil our country and injure our rights. Why? It was because Japan had given us a very disagreeable impression. Wherever the Japanese resided, China's police rights and economic rights were being injured. If the Japanese nationals were given rights to reside and trade in certain areas, our people in those areas would lose their freedom or even be forced to vacate.

At that time, the issue was limited to the Northeast, yet we refused; but now Konoye broadens the issue to include our entire sovereign territory, and does so under the slogan of a "new order in East Asia." Is there room left for our people to consider?

These are the principal points in Konoye's statement. Summing up, Konoye described them as "Japan's minimum demands." If these are the "minimum demands," I would like to know what more can be asked exceeding them. Compared with Hirota's "three principles," they are many times more comprehensive and virulent. Our enemy vainly hopes that we might be inveigled into accepting them. Let me ask: if we could not accept Hirota's "three principles" at the commencement of hostilities, how could the enemy entertain the hope that China might now accept these degrading terms?

This statement has, however, completely bared the pernicious Japanese designs for the complete extinction of their neighbouring country and people. Further, "the Meiji doctrine" and the contents of the "Tanaka Memorial," both of which the Japanese have tried every means to deny, have all

received confirmation. Tanaka said: "In order to conquer the world, China must be first conquered," while Konoye declared before the Japanese Diet on December 1: "It is resolved that the time of settlement of the China Incident will be determined by the state of construction in China." The so-called "state of construction in China" is merely another way of saying to what extent China has disintegrated and been seized by the Japanese. From this assertion, we may learn that Japan's aggressive activities if not defeated can only cease when China is destroyed. Our friendly nations should also be benefited by the elucidation.

Japan's continental policy has now broadened into an oceanic policy. From advancing northward, Japan is also moving southward. Briefly, Japan's policy of aggression has become a combination of the continental and oceanic policies pursued simultaneously. In attempting to annex China, Japan in the meantime is trying to overthrow international order, dominate East Asia, and banish European and American influence. With that achieved, what Japan will proceed to is all too plain.

In conclusion, Japan has exposed her secret designs and aspirations which she had laboured hard to conceal in the last few decades. When we referred to Japan's intentions before, what we said was regarded by some people as provocatively exaggerated, for they thought that Japan might not have entertained such wild plans as described. From now on, I make bold to say that neither China nor the world at large will be deceived regarding Japan's real intentions.

Judging by Konoye's statement, we can confidently say that Japan's real desire is to annex our country and destroy, once for all, our nation. Decidedly, Japan is not interested in such forms as the so-called "Sino-Japanese co-operation" or "economic hand-in-hand collaboration." As to cession of territory and the payment of an indemnity, they do not rank high with the enemy, in view of more comprehensive designs. By the so-called "economic bloc," Japan aims to absorb and manage our finance and resources, which is a more than effective substitute for the demand for reparations. The demand for rights to station Japanese troops in China and set aside Inner Mongolia as a special sphere as well as for freedom to reside and trade in any part of China, is made with the intention of seeking control and rule over the entire Chinese

sovereign territory, oppressing and enslaving our people, as far preferable to "cession of territory."

We well remember that before Korea was annexed by Japan, Korean nationals were treated to such hypnotic slogans as "unity of Japan and Korea" and "indivisibility of Japan and Korea." Today, Japan resorts to "indivisibility of Japan, Manchukuo and China" and "unity in East Asia" means exactly "merger of Japan and China," or equivalent to annexation of China by Japan, or the fulfillment of "Japanese Imperial Continental Empire." The theory of the so-called "creation of a new order in East Asia" is a mere smoke-screen. This is truly the new invention of Imperial Japan for the destruction of another country and extermination of its people.

Japan is now in complete possession of plans and means to ruin China, and her aggressive intentions are no longer concealed. What Japan lacks is the readiness to be deceived and accessibility to threats on our part, in short, our willingness to fall a prey to her trap. Our situation being so clearly outlined, we should be insane if we still hoped to live under a tiger's chin, and seek existence, independence and equality by peaceful compromise. Once our spirit surrenders, we are forever doomed; and once we are chained, we shall never find release. I may also add that although Japan's malevolent intentions are only revealed today, Japanese militarists have dwelt on these schemes for generations.

During the past decade, Japan's political leaders have passed away one after another, leaving not a single statesman who comprehends the high principles responsible for a nation's rise or fall. As a consequence, Japanese militarists have without restraint violated laws and discipline and taken things into their own hands. The greater Japan's national danger looms, the more desperate and ambitious they become.

Fortunately, in July, 1937, our countrymen rose to offer Resistance, thus defeating Japan's purpose of causing us to yield without fighting. We further caused the Japanese to expose their intentions until as at present the world is in possession of every detail. If we had failed to resist and had allowed the enemy to nibble at our territory, our nation would, like a patient suffering from a malignant and incurable disease, gradually have worn away, lost its senses, and have perished within three to five years. If we take the instance of Korea, we see that on the one hand, Japan attempted by intimate

collaboration to maintain the flattering term of Korean independence, but on the other hand used every description of direct and indirect device to dismember Korean territory. Unconsciously, Korea finally became a Japanese possession.

Through eighteen months of fighting, the national consciousness of our people has been further heightened. The gallant sacrifices made by more than a million of our men at the front, and by millions of our people in the rear, and our unyielding stand have also made it impossible for the enemy not to reveal his every vicious feature. Thus, China has not only passed the peril of being destroyed and annexed, but the world is also forewarned that our insatiable enemy, if allowed free rein, will imperil the peace of the world. It is true that we have made immense sacrifices, but in waging this war we have saved our nation from the brink of being destroyed, and eliminated for the world a future menace. Our bitter sacrifices bear a profound significance. Our unremitting and unbending spirit has already erected a strong bulwark for safeguarding our national existence. Comrades, you should distinctly grasp this point, and press on to fulfil our responsibility.

The enemy desires to control our military affairs by employing the name of "joint defence against communism," to reduce our resources by resorting to the machine of an "economic bloc," and to direct our politics and culture, with the extinction of our nation in view, through the medium of a "unity of East Asia."

The enemy calculations are excessively precise. He has repeatedly announced that between Japan, Manchukuo and China, there should be established indivisible political, economic, and cultural relations and even a mutual assistance arrangement. In other words, the enemy aims to destroy our national existence by means political, economic and cultural, and also to dominate East Asia by the same means. His schemes may be described as thorough.

To speak of culture, what independent culture is there in East Asia except that of China? The centre of gravity of East Asia is in China. If China should lose her independent existence, what would be left of the present economic structure in East Asia? Speaking of politics in East Asia, the traditional political thought of China founded on neighbourliness, loyalty, filial piety, humanity, love, peacefulness and sincerity has been the central support of East Asia. Today, only the Three

People's Principles as bequeathed by our late Tsungli (Dr. Sun Yat-sen) are the true tenets of equality, liberty, independence and co-existence. They are also the safeguards of enduring peace.

On our part, the year and a half's war has laid for us a solid foundation for national regeneration. We fear no problems, nor are we concerned over impending dangers. We merely lament the fate of Japan, the present status of which was brought about by the hard efforts and sacrifices of her reformist patriots. Today, her people are powerless, her throne without prerogative, and her politicians without integrity and knowledge, thus allowing a few hot-headed young militarists to do as they please. They are sapping Japan's national strength, shaking her national foundations and advancing savagely on the infamous road of self-seeking at the expense of others. In the eyes of these young Japanese militarists, China does not exist, nor do the other countries of the world. They have regard neither for discipline, nor for law, nor yet for their own government. Guided by their greed, cruelty, and violence, they do as they please. If such conduct be allowed to continue, the future of Japan is indeed full of danger. Although we are sworn enemies of the Japanese militarists, yet we are still neighbours to the Japanese people, who share with us a language of a common origin. Reviewing Japan's history and looking forward to her future, we not only see danger in her path but lament her lot.

Comrades, you should realize that the Japanese militarists are now heading blindly into a maze. They have forgotten their own history, their own position, and can neither see the outside world and their own crisis, nor recognize their neighbour, a revolutionary China. There are but two aspects to their thought. On the one hand they are so blind to facts as vainly to hope that China might accept their outrageous terms, and on the other hand they rely on their cunning to achieve some tour-de-force and to benefit by hoodwinking the world. Because they themselves are stupid, they believe the peoples of the world are to be befooled. Because they themselves are violent, they believe that force can dominate this world.

As borne out by the terms embodied in his statement, Konoye wants to close China's Open Door and break the Nine-Power Treaty by establishing a so-called "new order in East

Asia," and to expel European and American influence from China by creating a so-called "unity of East Asia" and "economic bloc," and to revive the Twenty-one Demands presented to Yuan Shih-kai by "stationing troops in China" and setting aside Inner Mongolia as a Special Area." Summing up, Japan intends to force China to destroy by her own hand the principles of Open Door and Equal Opportunity, the League of Nations Covenant, the Nine-Power Treaty, the Sino-Soviet Non-Aggression Pact and other international treaties, by resorting to such terms as "creating a new order in East Asia." They wish to bind our hands, squeeze our arteries, yet they expect us to follow in their footsteps by breaking faith and despising loyalty to hasten the realization of their domination in East Asia, after which they might direct the world. Throughout five thousand years, China has always been guided by good faith and sincerity, in her statecraft. How can we be made to yield by threats and abandon our stand?

China as a state is founded on the principles not to oppress the undefended, nor fear the aggressive. More particularly, she is not willing to violate pacts or break faith and thus destroy the righteous principles governing the relations of mankind. I remember the meeting of Tanaka and our late Tsungli (Dr. Sun Yat-sen) in Shanghai in the third year of the Republic which coincided with the outbreak of the Great War in Europe. Tanaka proposed that East Asiatics should at that time denounce all ratified relations with foreign countries and erect a new order in East Asia. Dr. Sun queried: "Would it not involve the breaking of international treaties?" To which Tanaka answered: "Is not the denunciation of treaties and termination of unequal obligations advantageous to China?" "Unequal treaties should be terminated by straightforward and legitimate procedure," solemnly declared Dr. Sun, "and China is not prepared to become a party to the illegal denunciation of treaties even though advantageous to our country." Comrades, such is China's spirit. It is also the spirit of the Three People's Principles. We have relied on this spirit to resist invasion; we have depended on this spirit to resist all forms of domination, force and violence. We should be sustained by this spirit to restore order in East Asia and offer it as a contribution towards enduring world peace.

To conclude, this war on the part of Japan is violent banditry brought about by the total collapse of morals and

179

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

sound principles in that country. Insofar as China is concerned, we have courageously taken upon our shoulders the world responsibility of fighting for justice and righteousness. Of late, the Japanese militarists have lost their senses, and prompted by sheer inertia, are rapidly going the way to exceed all bounds and damage the civilization and happiness of mankind. Nations of the world which are bound by treaty obligations should have acted to maintain the sanctity of treaties and apply punitive measures against the aggressor so that light might have been restored to the present scene of impenetrable darkness. But the nations hesitated and looked on. China, unmindful of any sacrifice, however, took upon herself the immense responsibility at the time when the fate of righteousness and justice was in the balance.

Our object in prosecuting this war of Resistance, is to complete the task of national revolution and secure for China independence, liberty and equality. Internationally, our object is to support righteousness and justice, restore the prestige of treaties, and re-establish peace and order. This is a war between good and evil, between right and wrong. It is a war between justice and force, and a war between an abider by the law and a breaker of it. It is also a war between righteousness and brute-force.

A Chinese proverb says: "Virtue never lacks company; it will ever find support." The force of world justice will rise, and men of goodwill ultimately co-operate in the interests of rectitude. On our part, we should hold fast to our stand and fix our eyes steadfastly on our goal, and be firm in our determination. Our firmness should increase with greater difficulties, and our courage should rise with prolonged Resistance. The entire nation should carry on with oneness of heart. The final victory will be ours. I urge my comrades, our army, and our people be redouble their efforts in order to attain success.

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

THE WHITE HOUSE
WASHINGTON

April 10, 1939

My dear Mr. Secretary:

As suggested in your letter to
the President of April sixth, I am return-
ing herewith, for forwarding, the President's
letter to General Chiang Kai-shek.

Very sincerely yours,

Stephen Early
STEPHEN EARLY
Secretary to the President

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

Enclosure



FW 793.94/14877

APR 11 1939
RECEIVED

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

COPY: LAW: PR

15513

THE WHITE HOUSE

WASHINGTON

April 8, 1939

My dear General Chiang:

I greatly appreciate having your letter of March 25, 1939, which the Chinese Ambassador here, Dr. Hu Shih, delivered to the Secretary of State, Mr. Hull, for me; and I have read with interest and care your comments upon recent evidences of the attitude and policy of the Governments of the United States toward developments in the Far East and in the world at large. I have also noted attentively the views you express on the situation in the Far East in its relation to world events.

I recall that, in an address given by you at Chungking in December last, you declared that "Internationally, our object is to support righteousness and justice, restore the prestige of treaties, and re-establish peace and order", and you expressed confidence that "The force of world justice will rise, and men of goodwill ultimately co-operate in the interests of rectitude". Such also are the objectives of this Government and I am happy to join in your expression of confidence with regard to the future.

Very sincerely yours,

FRANKLIN D. ROOSEVELT

His Excellency
 General Chiang Kai-shek,
 Chairman, National Defense Council,
 Chungking, China.

793.94/14897

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

15514

April 17 1939

No. 159

Willys R. Peck, Esquire,
American Chargé d'Affaires ad interim,
Chungking.

Sir:

There is enclosed herewith a letter addressed
by the President to General Chiang Kai-shek in reply
to General Chiang's letter of March 25, 1939 which
the Chinese Ambassador received by telegraph and handed
to me on March 29 for transmission to the President.
Copies of the two communications are also enclosed for
the Embassy's files.

It is requested that you transmit the President's
letter to General Chiang by whatever means may seem
most appropriate to you.

Very truly yours,

For the Secretary of State
Sumner Welles

Enclosures:
Original letter from
the President to
General Chiang, with
office copy;
Copy of letter from
General Chiang.

APR 14 1939. PM

793.94/14877

PR: LAW 4/13/39

A true copy of
the signed origi-
nal.

793.94/14877

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

15515

TELEGRAM RECEIVED

RFP

CORRECTED COPY

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

FROM

CHUNGKING VIA N.R.

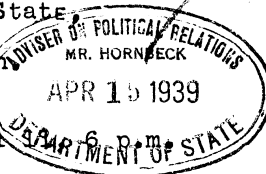
Dated April 11, 1939 APR 17 1939

Rec'd 1 p.m.

Telegram to Chungking

Secretary of State

Washington



Division of FAR EASTERN AFFAIRS

APR 12 1939

Department of State

O.N.I. AND

in confidence

255, April 6 p.m.

CONFIDENTIAL.

Royal Leonard, American aviator, who piloted the Russian Ambassador and Sun Fo to Tihua on March 26 and 27 has informed an Embassy officer that the military aviation field at Lanchow Kansu (where the plane stopped overnight) is the largest in China, extending for more than a mile in length. He also confirmed reports of a large concentration of pursuit and bombing planes of Russian design at Lanchow (he estimated the number at more than fifty planes). He said both Chinese and Russian pilots and mechanics were in evidence at the airport.

The informant added that he was told at Lanchow that the bodies of Italians were found in the wreckage of some of the 15 Japanese planes brought down in recent raids on that city.

Repeated to Peiping.

PECK

CSB

793.94/14373

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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

TELEGRAM RECEIVED

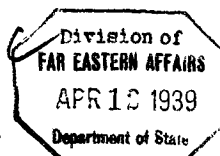
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (br)

CHUNGKING VIA N.R.

FROM Dated April 11, 1939

Rec'd 1 p. m.

Secretary of State,
Washington.



255, April 11, 6 p. m.

CONFIDENTIAL.

Royal Leonard, American aviator, who piloted the Russian Ambassador and Sun Fo to Tihua on March 26 and 27 has informed an Embassy officer that (?) aviation field at Lanchow Kansu (where the plane stoppe& overnight) is the largest in China, extending for more than a mile in length. He also confirmed reports of a large concentration of pursuit and bombing planes of Russian design at Lanchow (concentration of estimated (?) at more than fifty planes). He said both Chinese and Russian pilots and mechanics were in evidence at the airport.

The informant added that he was told at Lanchow that the bodies of Italians were found in the wreckage of some of the 15 Japanese planes brought down in recent raids on that city.

Repeated to Peiping.

PECK

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

CONFIDENTIAL

ConfidentialPARAPHRASE

A confidential telegram (no. 255) of April 11, 1939, from the American Embassy at Chungking reads substantially as follows:

The military aviation field at Lanchow (Kansu Province) which is more than a mile long is the largest aviation field in China, according to information received by an officer of the Embassy staff from an American aviator (Royal Leonard). Leonard is the aviator who piloted the plane carrying Sun Fo and the Russian Ambassador to Tihua on March 26 and 27. The plane stopped overnight at Lanchow where Leonard was told that in the wreckage of some of the fifteen Japanese planes shot down recently in raids on Lanchow the bodies of Italians were found. Leonard added that at the airport at Lanchow both Russian and Chinese mechanics and pilots were to be seen and he confirmed reports of a big concentration at Lanchow of bombing and pursuit planes of Russian design, estimating the number of planes at more than fifty.

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

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EE

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

April 7, 1939.

S:
Mr. Secretary

RECEIVED
DEPARTMENT OF STATE
JUL 29 1939
JUL 29 1939

In compliance with the request made by your office yesterday, there is submitted herewith a compilation entitled "Statements of Policy by the Japanese Government or by Responsible Japanese Officials Indicating an Aggressive Desire and Intention to Expand".

It will be noted that the Japanese statements are couched in language which is unprecise and vague and which attempts to conceal through the use of moral and political generalizations the real desires and intentions of the Japanese Government. However, it is quite obvious from Japanese acts and unofficial declarations, especially during the past eight years, that the establishment of a "new order in East Asia" means the accomplishment of Japanese domination of "East Asia"; that military force is the implement by which that objective is to be accomplished; that consideration of the independence and integrity of China and possibly other eastern nations and of the rights and interests of other powers is not to be allowed to stand in the way of the accomplishment of the objective; and that the Japanese program of expansion envisages, in the minds of her leaders, hegemony over "East Asia" and the exclusion therefrom or the radical reduction of foreign political influence and economic enterprise in that area.

m.w.

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

DEPARTMENT OF STATE
RECEIVED
DIVISION OF FAR EASTERN AFFAIRS

1939 JUL 31 PM 12 22 April 7, 1939.

Statements of Policy by the Japanese Government
or by Responsible Japanese Officials Indicating
an Aggressive Desire and Intention to Expand

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Both before and after Japanese occupation of Manchuria in 1931 and subsequent creation of "Manchukuo", one of the most oft-repeated phrases used by Japanese officials in justification of Japanese action was that Manchuria constituted Japan's "economic lifeline".

In a statement issued to the press on April 17, 1934, the Japanese Foreign Office spokesman made inter alia assertions as follows:

"The special position of Japan in relations with China and the doctrines advocated by Japan with regard to China may not agree with the ideas of foreign nations but it must be realized that Japan is called upon to exert the utmost efforts in carrying out her mission in East Asia and fulfilling her responsibilities.

"Japan will oppose any attempt of China to avail herself of the influence of some other country to repel Japan, as it would jeopardize the peace of east Asia, and also will oppose any effort by China to resist foreigners by bringing other foreigners to bear against them."

In January, 1935, the Japanese Foreign Minister (Hirota) enunciated what has come to be known as Japan's "Three Point Program" with regard to China. The first point in the program calls for the cessation by China of all anti-Japanese acts and China's active and effective (economic

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-2-

(economic and political) collaboration with Japan.

On September 4, 1937, the Japanese Foreign Minister, in addressing the Diet, made the following statement:

"It is hardly necessary to say that the basic policy of the Japanese Government aims at the stabilization of East Asia through conciliation and cooperation between Japan, Manchukuo and China for their common prosperity and well-being . . . The urgent need at this moment is that we take a resolute attitude and compel China to mend her ways."

The Japanese Prime Minister, in addressing the same meeting of the Diet, made the following statement:

"At the present moment, however, the sole measure for the Japanese Empire to adopt is to administer a thoroughgoing blow to the Chinese Army so that it may lose completely its will to fight. And if, at the same time, China fails to realize its mistake and persists in its stubborn resistance our Empire is fully prepared for protracted hostilities until we accomplish our great mission of establishing peace in the Orient."

The reply of October 27, 1937, of the Japanese Government to the invitation of the Belgian Government to attend the "Brussels Conference" contains the following statement:

"This (the action of the League of Nations in 'assuring China of its moral support' et cetera) seems to take no account of the just intention of the Imperial Government, who propose to bring about a sincere cooperation between Japan and China, to insure enduring peace in East Asia, and to contribute thereby to the peace of the world."

According to a press despatch from Tokyo which appeared in the Christian Science Monitor April 5, 1938, Mr. Ikeda, Japanese Minister of Finance, said that

economic

-3-

economic expansion was not the sole objective of Japan's campaign in China; other considerations were involved.

In an address to the Japanese Diet on November 3, 1938, the Japanese Prime Minister made the following statement:

"We should never mistake the meaning of the duty which we shoulder for establishing a new system based upon a moral foundation uniting all nations and peoples of the Orient. . . . Japan, which is to undertake the construction of a new East Asia, has now entered the period of establishing a new life among the people. In this sense the true war has just begun. To become a really great people we must proceed bravely and firmly toward the adjustments and construction of both domestic and foreign affairs."

The Japanese note of November 18, 1938, in reply to this Government's note of October 6, contains the following two paragraphs:

"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."

On December 19, 1938, the Japanese Minister for Foreign Affairs (Arita) made a statement to foreign correspondents, pertinent extracts from which are as follows:

"As

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

-4-

"As has been made clear by the statement of November 3rd made by the Japanese Government, what Japan desires is the establishment of a new order which will ensure the permanent stability of East Asia; or in other words, the establishment of a relationship of mutual helpfulness and co-ordination between Japan, Manchoukuo and China in political, economic and cultural fields.

"That the formation of a closely co-operative relationship between the three countries is an imperious necessity is explained by the fact that it is, in its political aspect, a measure of self-defence against the Communist menace and of safeguarding the civilization and culture of the Orient, and in its economic aspect, a measure of self-preservation in presence of the world-wide tendency to erect high Customs barriers and to employ economic measures for political ends. . . .

". . . It is far from Japan's thought to aim at excluding European and American economic activities from East Asia.

"However, it is most natural and proper that the two neighbour nations closely bound together by the 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 ensure 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 the 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 the National defence and economic security of the 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 the people of other Powers."

On December 22, 1938, the Japanese Prime Minister

(Prince

-5-

(Prince Konoe) issued a statement, pertinent extracts of which are as follows:

"The Japanese Government are resolved, as has been clearly set forth in their two previous statements issued this year, to carry on the military operations for the complete extermination of the anti-Japanese Kuomintang Government, 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 in our ideals and aspirations. . .

"Japan, China and Manchoukuo will be united by the common aim of establishing the new order in East Asia and of realizing a relationship of neighbourly amity, common defence against Communism and economic co-operation."

The following excerpts from the annual address of the Japanese Prime Minister (Hiranuma) before the Japanese Diet on January 21, 1939, are pertinent:

"To lay the foundation of East Asia's prosperity and progress in the cooperation, political, economic and cultural, of Japan, Manchoukuo and China through full mutual understanding between the three countries, and in their actual relations of mutual helpfulness, neighborly amity and solidarity, is, needless to say, to illustrate the very spirit in which our nation was founded. Therein lies Japan's fixed national policy, which alone can insure the permanent peace of East Asia, and contribute thereby to the general advancement of the world.

* * * *

". . . As for those who fail to understand to the end and persist even hereafter in their opposition against Japan, we have no other alternative than to exterminate them. On the other hand, those who desire to cooperate toward the execution of our national policy and make of themselves pioneers of a new China, should be welcomed to take part in the historic enterprise of building up a new order in East Asia, and they should be

gladly

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

-6-

gladly helped to rescue the Chinese masses from misery and distress, and liberate them from the old bondage and prejudices."

The Japanese Foreign Minister (Arita) also addressed the Diet on January 21, 1939, and the following are pertinent excerpts from his address:

"... What Japan desires is the creation of a new order which is to secure the permanent peace of East Asia, that is to say, the construction of a new East Asia upon an ethical foundation, in which Japan, Manchoukuo and China, while each fully preserving her independence and individuality, will stand united and linked together for active collaboration and mutual aid along all lines of political, economic and cultural activities.

* * * *

"... But there is no doubt that the principal causes (of international anxiety and unrest) lie essentially in efforts to maintain a status quo which is actually not in accordance with justice and in attempts made from selfish motives to stifle the development and progress of newly-risen powers."

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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. Foochow/133 FOR Despatch # 100

FROM Foochow (Rowe) DATED March 6, 1939.
 TO NAME 1-1127 ...

REGARDING: Sino-Japanese relations during the month
 of February, 1939.

793.94/ 14879

14879 -

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

1. Japan.

a. Movements of Japanese airplanes and warships.

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Although Japanese airplanes continued to make flights over various parts of the consular district, no incidents of bombing were reported during the month. On February 26, three Japanese bombers circled above Foochow for a few minutes and left without taking any action.

The Japanese warships anchored off Sharp Peak departed quietly early in the month.

b. Anti-Japanese activities.

A new conscription campaign, the first of the Chinese new year, was inaugurated on February 19 with much publicity and propaganda. The newspapers gave prominence to various volunteer units, among them being a large group of Formosans in the Chungang district.

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

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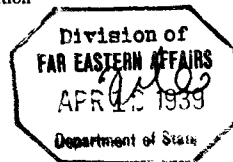
The Kaufman Plan for Majority Rule Through "Printed Town Hall"

Every Law the Majority Desires—At Every Election—No More "Legislative Lag!"

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Adopted by Twenty-Three States — Forty-Five Million Population
The Greatest Political Invention in Human History

W. H. KAUFMAN, Organizing Secretary

1939 APR 11 AM 11 22 Father of the Direct Legislation Movement in U. S. A.



Box 299, Route 2, Bellingham, Wash., U. S. A. 4-7- 1939
AND RECORDS

April 24 1939

793.94

Department of State,
Washington, D.C.

Sirs:

I very greatly desire copies of the cables and/or other correspondence between Secretary of State, Henry L. Stimson, and the British Foreign office re the invasion of Manchuria - (1921 1932). If there are no available copies of the correspondence, I will be under great obligations for very brief condensations, with bill for transcription - not more than 10 to 25 words per cable each way, as I am concerned as to DATES of the various cables. The British replies were, I think, made by Sir John Simon; but I have forgotten whether the correspondence was before or after the invasion started.

Thanking you in advance, I am, with best wishes,

Very truly yours,

W. H. Kaufman

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

In reply refer to
RP 793.94/14880

April 24 1939

My dear Mr. Kaufman:

The receipt is acknowledged of your letter of April 7, 1939 in which you request copies of correspondence between Secretary of State Henry L. Stimson and the British Foreign Office regarding Manchuria. You refer in this connection to "British replies ... by Sir John Simon".

The Department of State has not issued any publication containing correspondence such as you describe. There are enclosed, however, copies of the issues of the weekly printed Press Releases for January 30 and March 5, 1932 containing on pages 97 and 240-242 respectively (1) a statement by Mr. Stimson referring to a recent discussion with the British Ambassador in regard to the crisis at Shanghai and (2) statements by Sir John Simon at a meeting of the Council of the League of Nations in which he referred to his having been in close consultation with the American Government in relation to the conflict between China and Japan. While the Department

can

Mr. W. H. Kaufman,
Box 299, Route 2,
Bellingham, Washington.

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

-2-

can assume no responsibility for the accuracy of statements contained in publications which are not official, it is suggested that you may care to consult Mr. Stimson's book The Far Eastern Crisis (New York, published by Harper and Brothers for the Council on Foreign Relations, 1936), which is available in the larger public libraries.

I am enclosing as of possible interest a copy of the pamphlet entitled Conditions in Manchuria, which contains the texts of communications between the Government of the United States and the Governments of China and Japan, of communications between the Government of the United States or its representatives and the League of Nations or its representatives, and of certain other documents pertaining to the controversy between China and Japan in relation to Manchuria.

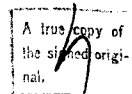
Other publications dealing with Far Eastern affairs are enumerated on page 18 of the enclosed copy of the pamphlet Publications of the Department of State and on certain pages of the enclosed copy of price list 65, Foreign Relations of the United States. Remittances for publications named in the pamphlet 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.

Sincerely yours,

For the Secretary of State:

(For enclosures,
see next page.)

E. Wilder Spaulding
 Assistant Chief, Division of
 Research and Publication



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

-3-

Enclosures:

1. Press Releases (Publications Nos. 280 and 299).
2. Conditions in Manohuria.
3. Publications of the Department of State.
4. Price list 65.

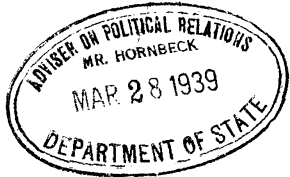
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 APR 22 1939:

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



G-2 Digest of Information
 Sino-Japanese Situation
 March 10-24, 1939



Note: Situation Map does not accompany this report.

1. MILITARY OPERATIONS.

a. About March 19 the Japanese resumed the offensive on the North Kiangsi front, employing two or three divisions. The Siu River line was forced and an advance of some 12 miles made to the south. Simultaneously an advance was commenced in the direction Leki--Tuning.

b. Coincident with the above operation a Japanese offensive involving possibly one division was launched in Chekiang province in the direction Hangchow--Kinkwa. The Chien Tang River has been crossed and considerable progress has been made.

c. Japanese pressure along the Han River has continued. The Han has been crossed in the vicinity of Chiukow and detachments are now working downstream on the west bank of the river. The Chinese profess to continue in the belief that this operation is for the purpose of setting up a strategic flank guard for a push up the Han valley to the northwest. Chinese reinforcements have been concentrated between the Han and Ichang.

Comment. The above three operations once again would seem to involve the Japanese Central China command in a dispersion of effort and in commitment of effectives. Only the offensive against Kinkwa, which can cut the Hangchow--Nanchang--Changsha Railway and sever the trade route inland from Kanchow would seem to promise important strategic results. The possibility exists that the Japanese Central China army is seeking deliberately to tie up its forces and thus prevent their transfer to the North China command for pacification work.

d. The Japanese have definitely garrisoned that part of Central Hopei which has been the scene of recent pacification operations. It is also apparent that they have compartmented northern and eastern Shantung by occupying certain sections of the road net. Guerrilla activity in the above regions is deteriorating noticeably.

e. The results of the Japanese operation in northeastern Kiangsu province have been confined to the capture of Haichow. The Chinese forces involved have escaped undamaged and are now causing considerable damage to the Japanese garrisons in eastern Shantung.

f. About March 18 a considerable organized force of Chinese troops, commanded by Yu Hsueh-chung advanced from southern Hopei to the northeast

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OSD letter, May 3, 1972

By Milton O. Gustafson NARS Date May 19, 1973

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1973

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

CONFIDENTIAL

and is now threatening the Tsinan--Tain section of the Tain-Pu Railway. This operation has been well timed and executed. Its obvious purpose is to take advantage of the demiding of the Tain-Pu garrisons occasioned by pacification operations and to force a reconcentration of the central Hopeni garrisons. It is believed that it will be fairly effective in this direction. However, if a Japanese reconcentration is effected, Yu's force should be in great danger unless he plans eventually to transform his troops into guerrillas. It is of interest to note that Yu's army recently has been rumored to be ripe for defection to a Japanese-sponsored regime.

g. To date no confirmation has been received of widely reported large scale Japanese reinforcements to Manchoukuo.

2. MISCELLANEOUS.

a. It is reliably reported that the Hwai River railway bridge at Pengpu has been reconstructed and that the Tain-Pu Railway is now prepared to institute through traffic from Tientsin to Pukow. The Japanese also are reported to be building a new railroad line from Howan on the Tungpu Railway (Shanai) to Hotsin.

b. On March 23 it was announced at Tsingtao that effective March 25 wharfage facilities heretofore denied foreign merchant vessels at that port would be made available to a limited extent.

c. In the Russo-Japanese fisheries dispute the critical date of March 15 passed without alarming developments. Press reports state that a "token" auction was held in Vladivostok on that date but that the bulk of the fishing lots were not sold. Apparently this matter will drag on for some time amid the usual wrangling, but neither side seems anxious to force the issue.

d. In North China the currency and exchange issue continues confused. Some progress has been made in forcing the Federal Reserve Bank notes into circulation at the expense of Central Government notes, although the prohibition of the latter notes has been made effective only in large centers of population under Japanese control, and the value of the national currency has been unimpaired. To deal with the exchange problem, the Provisional Government announced severe import restrictions on March 15, which will result unquestionably in further impairment of our export trade to China. The continuing, if only partial, success of these fiscal measures plus the progress achieved in pacification in Hopeni is resulting in a growth of Chinese defeatism in the areas affected.

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

TELEGRAM RECEIVED

RFP

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

Chefoo via Peiping & NR

FROM

Dated April 11, 1939

Rec'd 7:15 a.m.

April 12, 1939

Secretary of State

Washington

April 11, 5 p.m.

Mixed land forces estimated at 500 men composed of
one third Japanese two thirds Chinese under a Japanese
with the Chinese name "Chang Tsung Yuan" arrived this
morning at Chefoo coming overland from the Lungkow
Hwanghsien region. The arrival of these troops by
automobile indicates Shantung coast from Chefoo to the
railway is now under Japanese control.

Sent to Peiping repeated to Chunking and Tsingtao.

ROBERTS

HTM:CSB

10

APR 18 1939
FILED

793.94/14832

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

ConfidentialP A R A P H R A S E

A telegram of April 11, 1939, from the American
Consul at Chefoo reads substantially as follows:

That the coast of Shantung Province from Chefoo to
the railway is controlled now by the Japanese is indi-
cated by the arrival at Chefoo by automobile on the
morning of April 11 of a number of mixed land forces who
came overland from the Lungkow Hwanghsien area. These
forces under a Japanese bearing the Chinese name Chang
Tsung-yuan are estimated at 500 men, two-thirds of whom
are Chinese and one-third Japanese.

793.94/14882

egc.
FE:EGC:HJN
4/12

see
FE
[signature]

DECLASSIFIED: E.O. 11652, 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 893.00/14362 FOR Despatch # 552

FROM Hankow (Josselyn) DATED Jan. 24, 1939.
 TO _____ NAME _____ 1-1127 ***

Sino-Japanese relations.

REGARDING:

Conditions in Sinyang, Honan area during
 January, 1939. Encloses copy of memorandum
 of conversation with Rev. Sovik, reporting
 on -.

aa

793.94/14883

14883

DECLASSIFIED: E.O. 11652, 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 893.6362/75 FOR Despatch # 259

FROM Tsingtao (Sokobin) DATED Feb. 28, 1939.
TO NAME 1-1127 ***

REGARDING: Japanese program for exploitation of
China's Coal Resources: Report concerning --.

aa

793.94/14884

14884

DECLASSIFIED: E.O. 11652, 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

CJ

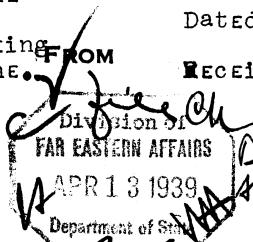
Peiping via NR

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

Dated April 13, 1939

Received 10:35 a.m.

Secretary of State,
Washington.



of paraphrase
CONFIDENTIAL
O.N.I. AND M.I.D.
in confidence of L

188, April 13, 4 p.m. (PLAIN)

local press
The / published this morning the following

Domei news release dated Kaifeng, April eleven:

"Indicative of the much heralded April offensive, between five hundred and two thousand Chinese troops, equipped with trench mortars and machine guns, suddenly attacked the town of Kaifeng, between one thirty o'clock and three o'clock this morning. The Chinese were repulsed by Japanese Garrison forces, who inflicted heavy losses on the Chinese, it is stated."

According to a Reuter report from Tokyo dated April twelve published here today, these troops belonged to the Chinese Twenty-sixth Division under General Tsun Tung Hsuan. (END PLAIN)

A reliable American correspondent informed this office yesterday afternoon that his Chinese associate in whom he places confidence has received the following information indirectly from Japanese sources.

"A

793.94/14885

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

-2- #188, April 13, 4 p.m. from Peiping

(GRAY) "A serious coup occurred in Kaifeng, Honan on April 9 during a conference of the Pacification Commission which has its headquarters there. A number of the Pacification Commission's Chinese troops suddenly staged a riot and fired at the Conference, killing the following six (out of a total of nine) members of the Commission; (one) General Hu Yu Kun, Chairman and henchman of Marshall Wu Pei Fu, (two) General Fu Shun Ying, former Commander in the Northeastern Army, (three) General Hung Wei Kuo, former Secretary General of the Jehol Provincial Government, (four) General Cheng Hsi Hsien, former Shantung police chief, (five) Fan Pu Kiang and (six) Chen Tung Sheng." (END GRAY)

The American correspondent states that he questioned the Japanese military spokesman here in regard to this report; the spokesman replied that he has no official information on the matter but that he had received the same information from an unofficial report and he added "undoubtedly something has happened". It is reliably reported that the chief of the Japanese special service section at Kaifeng returned to Peiping yesterday afternoon by plane.

Further information or confirmation will be reported if obtained.

(GRAY) The local Chinese press reported this morning that one thousand Chinese troops made another
 attack

7815
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

-3- #188, April 13, 4 p.m., from Peiping.

attack on Kaifeng morning of April 13 and that
fighting was VERY SEVERE.

Repeated to Chungking. By air mail to Tokyo.

LOCKHART

CSB

0826

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. 188) of April 13, 1939, from the American Embassy at Peiping reads substantially as follows:

On the morning of April 13 the press in Peiping published a Dowei news release, dated Kaifeng, April 11, as follows:

"Indicative of the much heralded April offensive, between five hundred and two thousand Chinese troops, equipped with trench mortars and machine guns, suddenly attacked the town of Kaifeng, between one thirty o'clock and three o'clock this morning. The Chinese were repulsed by Japanese garrison forces, who inflicted heavy losses on the Chinese, it is stated."

According to a Reuter report from Tokyo dated April 12 published in Peiping on April 13, these troops belonged to the Chinese Twenty-sixth Division under General Tsun Tung Hsuan.

On the afternoon of April 12 the Embassy was informed by a reliable American newspaperman that his Chinese associate whom he trusts has received, indirectly from Japanese, information as follows:

"A serious coup occurred in Kaifeng, Honan, on April 9 during a conference of the Pacification Commission which has its headquarters there. A number of the Pacification Commission's Chinese troops suddenly staged a riot and fired at the Conference, killing the following six (out of a total of nine) members of the Commission: (1) General Hu Yu Kum, Chairman and henchman of Marshall Su Pei Fu, (2) General Fu Shun Ying, former Commander in the Northeastern Army, (3) General Hung

*ci

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

CONFIDENTIAL

-2-

Wei Kuo, former Secretary General of the Jehol Provincial Government, (4) General Cheng Hsi Hsien, former Shantung police chief, (5) Fan Pu Kiang, and (6) Chen Tung Sheng."

In reply to inquiries which the American correspondent states he made of the Japanese military spokesman in Peiping concerning this report, the spokesman said that although he was not officially informed in regard to the matter he had an unofficial report to the same effect and that something had without doubt happened. On the afternoon of April 12 the chief of the Japanese special service section at Kaifeng flew back to Peiping, according to reliable reports. If confirmation of the above or further information is obtained it will be reported to the Department.

The Chinese press in Peiping reported on the morning of April 13 that one thousand Chinese troops made another attack on Kaifeng on the morning of April 12 and that fighting was very severe.

793.94/14385

C.G.C.
 FE:Christenson:HES
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KW
 FE
RAID

182

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

TELEGRAM RECEIVED

PAP ^{ooo} FROM CHUNGKING VIA N.R.

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

Dated April 13, 1939

Rec'd 7:30 a.m.

Secretary of State

Washington

258, April 13, 11 a.m.

(PLAIN) The information contained in paragraph one

below digested from a letter dated January 14 from the
Reverend Walworth Tyng of the American Church Mission at
Changsha, Hunan, is transmitted as of possible interest:

One. The fire which commenced at Changsha in the
early hours of November 13, 1938, destroyed 85 percent of the
business and 70 percent of the residential property of the
city and suburbs, an idea of the appalling scope of the
disaster may be gathered from the following: On the main
street extending from a distance of two and one half miles
from the north to south gates the only buildings left intact
is the church of the American Church Mission; along the
Siang River for a distance of two to three miles only the
custom house and two foreign style buildings remain standing,
five mission compounds were wholly destroyed including the
Methodist Missionary Society (British), Svenska Kirkans
Mission (Swedish), Norwegian Missionary Society and the
Y. M. C. A. The Principal American mission properties such

as

Division of
FAR EASTERN AFFAIRS
APR 13 1939
Department of State
of paraphrase
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in confidence of

793.94/14886

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

PAP -2- 258, April 13, 11 a.m. from Chungking

as the Hunan Bible Institute, Yale in China, and the American Presbyterian Mission (all located in the suburbs) escaped destruction as did the church compound of the China Inland Mission. The streets have been cleared of debris and many flimsy structures are being erected, basic food supplies are available and mail service has resumed. The population is estimated to total from thirty to fifty thousand compared with well over three hundred thousand prior to hostilities. (END PLAIN).

Two. The Changsha (*), commonly described as the most devastating in the recent annals of China, is reliably reported to have occurred in consequence of orders issued by the garrison commander of the city, on the basis of unconfirmed rumors that the Japanese vanguard was within a few miles of Changsha, to carry out a carefully prepared plan for the application of the "Scorched Earth" policy. The occurrence of this unfortunate debacle so infuriated General Chiang Kai Shek that he ordered the immediate execution of Ki and one other high ranking military officer and is generally given as the reason for the removal from the Provincial Chairmanship of Chang Chih Chung.

Repeated to Peiping and Hankow.

PECK

HPD

(*) Apparent omission

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

CONFIDENTIAL

Confidential

P A R A P H R A S E

A telegram (no. 258) of April 13, 1939, from the American Embassy at Chungking reads substantially as follows:

The information contained in paragraph one below digested from a letter dated January 14 from the Reverend Walworth Tyng of the American Church Mission at Changsha, Hunan, is transmitted as of possible interest:

The fire which commenced at Changsha in the early hours of November 13, 1938, destroyed 85 percent of the business and 70 percent of the residential property of the city and suburbs, an idea of the appalling scope of the disaster may be gathered from the following: On the main street extending from a distance of two and one-half miles from the north to south gates the only building left intact is the church of the American Church Mission; along the Siang River for a distance of two to three miles only the custom house and two foreign style buildings remain standing, five mission compounds were wholly destroyed including the Methodist Missionary Society (British), Svenska Kirkans Mission (Swedish), Norwegian Missionary Society and the Y.M.C.A. The principal American mission properties such as the Hunan Bible Institute,

0825

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

CONFIDENTIAL

-2-

Institute, Yale in China, and the American Presbyterian Mission (all located in the suburbs) escaped destruction as did the church compound of the China Inland Mission. The streets have been cleared of debris and many flimsy structures are being erected, basic food supplies are available and mail service has resumed. The population is estimated to total from thirty to fifty thousand compared with well over three hundred thousand prior to hostilities.

According to reliable information, orders issued by the garrison commander of Changsha were responsible for the fire in that city which is generally described as the most ruinous in recent Chinese history. These orders were in pursuance of a carefully arranged plan for the application of the policy of the scorched earth and the basis for their issuance was unconfirmed rumors to the effect that the vanguard of the Japanese Army was only a few miles from the city. The Generalissimo was so enraged because of this unfortunate stampede that he gave orders that two military officers of high rank, one being Ki, be executed immediately. The removal of Chang Chih-chung from the Chairmanship of the province is generally attributed to this unfortunate occurrence.

793.94/14886

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 4/14

FE
 NEW

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. Canton/133 FOR #-

FROM Canton (Myers) DATED March 10, 1939.
TO _____ NAME _____ I-1127 ...

REGARDING: Sino-Japanese conflict: Situation report for month of Feb., 1939.

793.94 / 14387

FRG.

14387

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Canton/133 FOR #-

FROM Canton (Myers) DATED March 10, 1939.
 TO NAME 1-1127 ...

REGARDING: Sino-Japanese conflict: Situation report for month of Feb., 1939.

793.94 / 14887

FRG.

14887

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

B. Relations with Other Countries.

1. Japan:

(a) Hainan Island.

The outstanding military development in South China was the surprise landing of Japanese forces on Hainan Island in the early morning of February 10th and the capture

of

Telegrams to Department No. 28 of February 19, 11 a.m. and 29 of February 21, 6 p.m.

79394
 (By 3-6)

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

- 4 -

of Hoihow (海口) and Kiangchow (瓊州), the two largest towns. Japanese reports indicate that the occupation met with very little resistance from Chinese military forces. A foreign observer reported that probably less than six thousand Japanese troops were engaged in the operations. There was very little destruction of private property and the residents of both cities have returned in such numbers that the Japanese had difficulty in finding quarters for the troops. At the end of the month the Hainan campaign was still in progress with the Japanese endeavoring to seize all major points along the coast.

At noon on February 10th the port of Hoihow was closed by the Japanese authorities to all commercial shipping, and on February 13th the Japanese asserted the same control over the Chinese Maritime Customs at Hoihow as at Canton and took over the floating equipment of the Customs but did not interfere with the internal working of the custom-house.* The Canton postal authorities have made arrangements with the Japanese authorities for the weekly transportation of mails between Canton and Hoihow.**

Immediately following the occupation, a Japanese consulate was opened at Hoihow, Acting Consul Tadahisa Matsudaire being temporarily in charge of the office. Later in the month, the office was raised to a Consulate General and Mr. C. Masatani was appointed the first Consul General.

On February 14th a spokesman of the Japanese Foreign Office stated that Japan has no territorial designs on Hainan Island but was occupying it only because of military necessity.

(b) Military

*Telegrams to Department No. 30 of Feb. 23, 6 p.m. and No. 32 of Feb. 25, 10 a.m.

**Telegram to Department No. 31 of Feb. 24, 1 p.m.

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

- 5 -

(b) Military Activities in Canton Area:

The military activities of Japanese forces in the Canton area were limited to minor engagements with Chinese irregulars and bandit units and apparently no attempts were made toward enlarging the occupied territory. The number of bombing operations decreased and during the latter part of the month raids were mainly confined to Kwangtung.

The military activities on the part of the Chinese, according to reports, were confined to reorganization of guerrilla units, and to preparations to resist a further advance of Japanese forces along the East and North rivers and an invasion of Kwangsi through Lukhoi (北海) or Young-kong (陽江). A Kwangsi army is reliably reported to be in the vicinity of Shihing. Reports of Chinese aircraft activities in and around Canton are believed to have been without foundation.

2. Great Britain:

(a) Kowloon Bombing.

During bombing operations at Shumchun on the Canton-Kowloon Railway line, at about 11 a.m. on February 21st, two Japanese planes invaded British leased territory and dropped bombs causing the death of an Indian police officer and fourteen civilians and demolishing a cook house alongside of a British block house. A Reuter's report of February 22nd stated that the Japanese Consul General at Canton on behalf of the Japanese military authorities had notified the British Consul General at Canton of the readiness of the Japanese Army to express deep regret for the incident and to pay damages for the destruction caused.

3. France:

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

- 6 -

3. France:

(a) Paracel Islands:

A Japanese source reported that the Japanese had occupied the Paracel Islands and that there were 270 Japanese living in the islands engaged in phosphate exploitation and in fishing. The occupation by the French of one of the Paracel Islands, which are approximately in longitude 112° and latitude 15° north, was reported to have taken place during July 1938 (Political Report for July 1938, Page 4).

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

RECEIVED
 DEPARTMENT OF STATE

Greenville S. C., Apr. 6th. 1939.

Division of
 FAR EASTERN AFFAIRS
 APR 10 1939
 Department of State

1939 APR 12 PM 3 51
 Hon. Stanley K. Hornbeck,
 Chief, Division Far Eastern Affairs,
 Washington D. C.
 COMMUNICATIONS
 AND RECORDS

ADVISED BY POLITICAL RELATIONS
 MR. HORNBECK
 APR 10 1939
 DEPARTMENT OF STATE

Dear Mr. Hornbeck,

I have been looking with no small degree of concern at the comments of Mr. Stimson and others, on the use made of the popular conceptions of the Sino-Japanese affair, in the discussion of the Neutrality regulations, actual and proposed.

It is exceedingly unfortunate that such discussions are carried on with no reference to the historical events and forces which created the situation to be dealt with. Mr. Stimson's reasons for refusing recognition to Manchukuo, were based merely on his unwarranted assumptions, all of which were at variance with the facts and developments, but which he and those who assume that Mr. Stimson knew what he was talking about, have continued to treat as if they were thoroughly established.

Is there no one who knows the real facts as to the status of Manchuria in relation to China? It seems inexcusable for our newspapers, people and Government to persist in a hostile attitude to the only Eastern power which has never given any grounds for hostility, and to continue to abet China in their unwarranted anti-Japanese propaganda, which has been the largest item in bringing about the present conflict. See, Lin Yu T'ang's article in a late issue of the magazine "Asia". We are gratuitously creating hostility where no grounds for hostility exists, and burdening ourselves with military expenses for which there is no reason except our own ineptitude.

793.94/14333

F/FG 14888

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

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That Mr. Stimson should lend himself to propagating the fiction of danger from Japanese aggression against America, is an unpardonable exhibition coming from a man who had the opportunity of examining the facts before committing the country to so important a decision. Unspeakable harm is being done in a perfectly gratuitous way, which should by all counts have been avoided.

To be obliged to stand aside and see such an unnecessary misfortune being gratuitously foisted on our people, is a most distressing experience.

Yours respectfully,

From

T. J. League,
114 Buist Ave.,
Greenville S. C.

T. J. League

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

April 10, 1939.

Dear Mr. League:

Your letter of April 6 on the subject of certain current discussions has reached me in due course, and I am bringing it to the attention of appropriate officers of the Department.

Yours sincerely,

S.H.
 Stanley K. Hornbeck
 Adviser on Political Relations

Mr. T. J. League,
 114 Buist Avenue,
 Greenville, South Carolina.

OK *[initials]*
 APR 12 1939

PA/H:SKH:ZMK

VAA
 FE
[initials]



793.94/14888

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

FE

TELEGRAM RECEIVED

RFP

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

FROM

Foochow via N. R.

Dated April 13, 1939

Rec'd 7:15 a.m., 14th

Secretary of State

Washington

April 13, 5 p.m.

CONFIDENTIAL

of paraphrase
COPIES SENT TO
O.N.I. AND M.I.D.
in confidence. EJP

My British colleague informs me that he has just received telegram from the British Consul at Amoy stating that the Japanese Consul there has privately (repeat privately) informed him that a Japanese attack on Foochow will take place shortly.

A British warship arrived today unannounced at mouth of Min River and has not communicated with the local British Consul. Sent to Peiping. Repeated to Chungking, Shanghai.

ROYE

RR

793.94/14889

FILED
APR 25 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

CONFIDENTIAL

(CONFIDENTIAL)

PARAPHRASE

A confidential telegram of April 13, 1939, from the American Consulate at Foochow reads substantially as follows:

On April 13 a British warship arrived at the mouth of the Min River unannounced and has not gotten in touch with the British Consul at Foochow.

The American Consul has been informed by the British Consul that a telegram has just been received from the British Consul at Amoy to the effect that according to information received privately from the Japanese Consul at Amoy the Japanese will within a short time attack Foochow.

793.94/14889

egc.
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4-15

FE
new

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

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

FROM CHUNGKING VIA N. R.

Dated April 14, 1939

Rec'd 7:40 a.m.

Secretary of State

Washington

April 14, 11 a.m.

Foochow's April 13, 5 p.m., Japanese attack on

Foochow.

If you have not already done so please communicate
 this information to the Commander -in-Chief. Sent to
 Shanghai, repeated to Peiping.

PECK

RR
 WWC

793.94/14890

F/FG

RECEIVED
 DEPT. OF STATE
 APR 14 1939
 CH
 14889
 nu

APR 14 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

198.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Chefoo/143 FOR #46 to Embassy

FROM Chefoo (Roberts) DATED March 10, 1939
TO NAME 1-1127 ***

REGARDING: Sino-Japanese situation: developments for the month of
February, 1939.

FRG.

793.94/ 14891

14891

DECLASSIFIED: E.O. 11652, 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

MA

Peiping via N. R.

A portion of this telegram must be closely paraphrased from Dated April 14, 1939 before being communicated to anyone. (Br)

Rec'd 1:00 a.m., 15th

Secretary of State

Washington

189, April 14, 4 p.m.

Peiping's 188 April 13, 4 p.m.

One. A Chinese informant close to Marshal Wu Pei Fu who has hitherto proved reliable confidentially informed the American correspondent mentioned in Peiping's 188, that General Hung Wei Kuo and General Cheng Hsi Hsien returned to Peiping yesterday; the informant would not give details of the reported coup d'etat but indicated that General Hu Yu Kun and a number of other Chinese attached to the Pacification Commission had been killed and that the attack on these men had been coordinated with the attack by Chinese troops on Kaifeng.

Two. It has been ascertained confidentially that the Peiping CHRONICLE local English language newspaper received orders yesterday not to mention the "flooding of the Tatung mines". These important coal mines located west of Kalgan on the Peiping Suiyang Railway are shaft mines with considerable underground seepage and it is understood that the water pumps were wrecked by guerrillas.

Three

793.94/14892

F/FG

APR 17 1939

RECEIVED

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

MA -2- telegram # 189, April 14, 4 p.m. from Peiping via N.H

Three. It has also been learned confidentially that the Japanese press control bureau in Peiping informed local Chinese newspapers yesterday that it would soon release (Gray) the "news about the attack on Hsuehowfu". It is reported that no through trains on the Peiping Pukow Railway have gone through for three days; this morning the local Japanese tourist bureau would not sell tickets on this line beyond Tachow, northern Shantung.

Four. According to local Chinese reports, the Tungpu Railway in Shansi is broken and the Chengtai Railway is broken in two places about forty miles west of Shihchiachwang near the Chinghsin coal mines; also that fighting occurred yesterday at Tingsien on the railway between Peiping and Paotingfu although the railway was apparently not cut. An American traveller who arrived in Peiping yesterday from Shansi stated that the train on which she travelled to Shihchiachwang was held up several hours by a break near Yutze, reportedly caused by guerrillas, and that on the following day no trains arrived at Shihchiachwang from Taiyuan, indicating further and more serious breaks.

Five. The Japanese military state that the Chinese "April offensive" has been repulsed but it seems evident that operations of Chinese troops and guerrillas in the so called occupied zone are causing considerable damage.

Repeated to Chungking, text by air mail to Tokyo.

LOCKHART

CSB

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

(CONFIDENTIAL)

PARAPHRASE

CONFIDENTIAL

A telegram (no. 189) of April 14, 1939, from the American Embassy at Peiping reads substantially as follows:

According to confidential information received by the American newspaperman referred to in the Embassy's telegram no. 188 of April 13, by a Chinese who has proved reliable in the past and who has close contact with Wu Pei-fu, Generals Cheng Hsi-hsien and Hung Wei-kuo returned on April 13 to Peiping. Although the informant would not give detailed information in regard to the reported coup d'etat at Kaifeng he intimated that a number of Chinese connected with the Pacification Commission, including General Hu Yu-kun, had been killed and that the attack on these Chinese had been timed to coincide with the attack on Kaifeng by Chinese troops.

It is understood that guerrillas wrecked the water pumps in the important Tatung coal mines. These mines which are shaft mines with a great deal of underground seepage are located on the Peiping Suiyuan Railway west of Kalgan. Confidential information has been received to the effect that on April 13 the Peiping CHRONICLE (English language newspaper in Peiping) was ordered to make no mention of the flooding of the Tatung mines. Confidential information has also been received to the effect that on April 13 Chinese newspapers in Peiping were informed by the Japanese press control bureau there that

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

- 2 -

that soon it would make known the "news about the attack on Hsuehowfu". It is reported that no through trains on the Peiping Pukow Railway have gone through for three days; on the morning of April 14 the Japanese tourist bureau in Peiping would not sell tickets on this line beyond Techow, northern Shantung.

According to local Chinese reports, the Tungpu Railway in Shansi is broken and the Chengtai Railway is broken in two places about forty miles west of Shihchiachwang near the Chinghsin coal mines; also that fighting occurred on April 13 at Tingsien on the railway between Peiping and Paotingfu although the railway was apparently not cut. An American traveler who arrived in Peiping on April 13 from Shansi stated that the train on which she traveled to Shihchiachwang was held up several hours by a break near Yutze, reportedly caused by guerrillas, and that on the following day no trains arrived at Shihchiachwang from Taiyuan, indicating further and more serious breaks.

The Japanese military state that the Chinese "April offensive" has been repulsed but it seems evident that operations of Chinese troops and guerrillas in the so-called occupied zone are causing considerable damage.

29.C.
 FE:EGC:REK
 4/18/39

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

*Copy in paraphrase
 sent in confidence
 to Macurey 4/18/39*

TELEGRAM RECEIVED

AC

A portion of this
 telegram must be
 closely paraphrased
 before being communi-
 cated to anyone. (Br.)

FROM

Yunnanfu via Chungking
 and N. R.

Dated April 14, 1939

Rec'd 3:10 p.m., 15th.

Secretary of State

Washington

April 14, noon

of paraphrase
 COPIES SENT TO
 O.N.I. AND M.I.D.
in confidence

Division of
 FAR EASTERN AFFAIRS
 APR 17 1939
 Department of State

GRAY Nineteen Japanese bombers visited Mengts

yesterday afternoon. First group consisting of
 fourteen planes bombed the city and then attempted to
 bombard air field but missed. After the departure of
 the first group a second group of five bombers appeared
 and bombed the field. Damage in the city is reported to
 have been extensive. No first hand reports have as yet
 been received but loss of life is believed to have been
 slight. The railway station at Mengtz (on Chinese
 owned branch line) and neighboring villages were also
 bombed. At the time of the first raid it is reliably
 reported that all the Chinese training planes, cadets and
 instructors (including four Americans) were on the field
 as they had had almost no warning. Between the first
 and second raids the planes were able to take off so
 that when the second raid came the field was empty.
 Aviation officials here are convinced the Japanese
 bombers came via Indo-China in order to avoid Chinese
 information

*743.90
 493.175
 493.51*

793.94/14893

F/A

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

AC - 2 - April 14, noon from Yunnanfu

information network.

It is reported here that a Eurasia plane en route from Hanoi to Yunnanfu encountered Japanese planes (presumably the second group of bombers mentioned above) as it crossed the border into China and was forced down by them. It made an emergency landing in northern Indo-China near Laokay. The pilot is reported to have received a slight head wound. END GRAY

Confidential. I am informed that the plane was transporting important archives of the Central Bank of China including international financial documents which are being transferred from Hong Kong to an interior city of Yunan. Repeated to Peiping, Hong Kong.

MEYER

CSB

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

(CONFIDENTIAL)

PARAPHRASE

A telegram of April 14, 1939, from the American Consul at Yunnanfu reads substantially as follows:

On the afternoon of April 13 nineteen Japanese bombers visited Mengtz. The first group consisting of fourteen planes bombed the city and then attempted to bombard air field but missed. After the departure of the first group a second group of five bombers appeared and bombed the field. Damage in the city is reported to have been extensive. No first hand reports have as yet been received but loss of life is believed to have been slight. The railway station at Mengtz (on Chinese-owned branch line) and neighboring villages were also bombed. At the time of the first raid it is reliably reported that all the Chinese training planes, cadets and instructors (including four Americans) were on the field as they had almost no warning. Between the first and second raids the planes were able to take off so that when the second raid came the field was empty. Aviation officials in Yunnanfu are convinced the Japanese bombers came via Indochina in order to avoid Chinese information network.

It is reported in Yunnanfu that a Eurasia plane en route from Hanoi to Yunnanfu encountered Japanese planes (presumably the second group of bombers mentioned above) as it crossed the border into China and was forced down

by

CONFIDENTIAL

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-

by them. It made an emergency landing in northern Indo-china near Laokay. The pilot is reported to have received a slight head wound.

Confidential
International financial documents and other important archives of the Central Bank of China which are being transferred to a city in the interior of Yunnan Province from Hong Kong were being carried by the Eurasia plane, according to information received by the American Consul.

793.94/14893

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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

AC

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

Hankow via N. R.

Dated April 15, 1939

Rec'd 3:00 a.m. 16th

Secretary of State

Washington

90, April 15, 1 p.m.

(GRAY) There has been here during the past few

days greater military activity than any observed since the Japanese occupation. There has been no attempt to conceal these military activities. The movement is similar to that which was noticeable at Kiukiang prior to the Nanchang offensive, although on a slightly larger scale. Most of the arriving Japanese troops who have been seen are apparently newly outfitted. These military preparations are believed to presage an offensive in the Han River sector and operations against the Chinese forces in the vicinity of Hankow who are reported to have increased in number and to have enjoyed recent minor successes.

Two. There has been likewise during the past few days much political activity. General Merioka has returned from Shanghai and has been holding a series of conferences with high military officials stationed here and from elsewhere. It is reported that he has since

secretly

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Paraphrase
 COPIES SENT TO
 O.N.I. AND W.I.D.
 in Confidence

Division of
 FAR EASTERN AFFAIRS
 APR 17 1939
 Department of State

793.94/14894

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

AC - 2 - #90, April 15, 1 p.m., from Hankow

secretly left for Tokyo for a conference on policy.
It is announced that a municipal government is to be
established at Wuhan on April 25 headed by Chang Jen
Li, 13th son of the celebrated Viceroy, Chang Chih
Tung. (END GRAY)

Three. A Japanese military source insists that
Wu Pei Fu is due here very shortly on a political mis-
sion. Wu's followers in this city continue, however,
to deny that he will cooperate with the Japanese (my
March 25, 10 a.m.). The same Japanese military source
intimated that the Japanese interpose no fundamental
objection to connection Wu is said to have with Chiang
Kai Shek and suggested that the administration of at
least Central China would have to be ultimately en-
trusted to the Chinese.

Repeated to Chungking, Peiping, Shanghai.

JARVIS

NFL

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

P A R A P H R A S E

A telegram (no. 90) of April 15, 1939, from the American Consulate General at Hankow reads substantially as follows:

During the past few days there has been greater military activity in Hankow than has been observed at any time since the Japanese occupation. There has been no attempt to conceal these military activities. The movement is similar to that which was noticeable at Kiu-kiang prior to the Nanchang offensive, although on a slightly larger scale. Most of the arriving Japanese troops who have been seen are apparently newly outfitted. These military preparations are believed to presage an offensive in the Han River sector and operations against the Chinese forces in the vicinity of Hankow who are reported to have increased in number and to have enjoyed recent minor successes.

There has been likewise during the past few days much political activity. General Merioka has returned from Shanghai and has been holding a series of conferences with high military officials stationed in Hankow and from elsewhere. It is reported that he has since secretly left for Tokyo for a conference on policy. It is announced that a municipal government is to be established at Wuhan on April 25 headed by Chang Jen Li, 13th son of the celebrated

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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 -

brated Viceroy Chang Chih-tung.

Although the supporters of Wu Pei-fu in Hankow keep on denying that Wu will cooperate with the Japanese, a member of the Japanese military insists that very soon Wu will be in Hankow on a mission connected with political matters. This same Japanese suggested that it would be necessary finally to turn over to the Chinese the administration of Central China at least and he left the impression that the Japanese have no fundamental objection to the connection which Wu Pei-fu is said to have with the Generalissimo.

793.94/14894

E.C.
FE:EC:JPS
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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

JR

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

FROM Foochow via N. R.

Dated April 15, 1939

Rec'd 11:04 a.m.

Secretary of State,
Washington.

April 15, 4 p.m.



of paraphrase
COPIES SENT TO
O.N.I. AND M.I.D.
in confidence DT

193.94

Reference is made to my telegram of April 13, 5 p.m.,
nine Japanese warships carrying an unknown number of
aircraft are reported to have arrived at mouth of Min
River within the past twenty-four hours. This Morning an
airplane dropped two bombs at Pagoda anchorage six miles
from Foochow killing a woman and a child but doing slight
property damage. The airplane then flew over Foochow for
a short time before returning.

All middle schools in Foochow have been ordered by
the Government to move out of the city by the end of April.

It is rumored that the Japanese are attempting to make
a landing at Chuanchow between here and Amoy and that
fighting is in progress.

The British Consul informs me that he has received
one radio message from the British warship anchored off
Sharp Peak reading "can we do anything?" He has asked it
to stand by.

Due to atmospheric conditions the naval radio station
at this Consulate has been unable to contact the Destroyer
at Swatow

793.94/14895

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

MA -2- telegram # -, April 15, 4 p.m. from Foochow via N.R.

at Swatow since yesterday 6 p.m. and all messages are
consequently delayed.

Sent to Peiping, Shanghai and Chungking.

ROWE

RR

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

TELEGRAM RECEIVED

FROM

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

Foochow via N.A.
 Dated April 15, 1939
 Rec'd 11:04 a.m.

Secretary of State
 Washington

April 15, 4 p.m.

Reference is made to my telegram of April 13, 5 p.m.,
 nine Japanese warships carrying an unknown number of aircraft
 are reported to have arrived at mouth of Min River within
 the past twenty four hours. This morning an airplane
 dropped two bombs at Pagoda anchorage six miles from
 Foochow killing a woman and a child but doing slight
 property damage. The airplane then flew over Foochow for
 a short time before returning.

All middle schools in Foochow have been ordered by
 the Government to move out of the city by the end of April.

It is rumored that the Japanese are attempting to make
 a landing at Onuanchow between here and Amoy and that
 fighting is in progress.

The British Consul informs me that he has received
 one radio message from the British warship anchored off
 Sharp Peak reading "can we do anything?" He has asked it to
 stand by.

793.94

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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

(CONFIDENTIAL)

PARAPHRASE

CONFIDENTIAL

A telegram of April 15, 1939, from the American
 Consul at Foochow reads substantially as follows:

The Government has ordered that all middle schools
 in Foochow move from the city by the last of this month.
 There are rumors to the effect that the Japanese are try-
 ing to effect a landing at Chuanchow (between Amoy and
 Foochow) and that fighting is going on now. It is report-
 ed that on April 15 or the night of April 14 nine Japanese
 warships carrying an unknown number of airplanes reached
 the mouth of the Min River. An airplane bombed Pagoda
 Anchorage with two bombs on the morning of April 15.
 Little damage was inflicted on property but a child and
 a woman were killed. Pagoda Anchorage is six miles from
 Foochow.

Since six p.m. on April 14, the naval radio station
 at the Consulate has not been able to make contact with
 the destroyer at Swatow on account of atmospheric condi-
 tions. All messages have been delayed as a result. The
 Consul has been informed by the British Consul that he
 has received from the British war vessel anchored off
 Sharp Peak one message asking whether it could do any-
 thing. The British Consul has asked that it remain in
 readiness.

793.94/14895

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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

NC

GPO

FROM

GRAY

PEIPING VIA N. R.

Dated April 16, 1939

Rec'd 3:10 p.m. 15th

Secretary of State

Washington

April 16, 1 p.m.

Please furnish the Commander in Chief paraphrase of Foochow's priority April 14, 10 p.m., and its priority April 15, 4 p.m., both received here at 11 p.m. April 15th and state that the Embassy suggests that he consider the availability of sending a naval vessel to Foochow to render such assistance to the Consulate as the Commander of the vessel and the Consul may deem necessary and feasible under the conditions existing there.

SENT TO SHANGHAI
Sent to Shanghai.

Repeated to Chungking and Foochow for the Commander in

Chief.

CSB

DDM

LOCKHART

COPIES SENT TO
JNL AND M.I.D.

Division of
EASTERN AFFAIRS
APR 17 1939
Department of State

793.94/14896

F/A

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APR 15 1939
RECEIVED

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

5517

DEPARTMENT OF STATE
ADVISER ON POLITICAL RELATIONS

PE:

C.

Mr. Moore:

APR 26 1939

April 21, 1939.

Division of
FAR EASTERN AFFAIRS

APR 21 1939

Department of State

I thoroughly concur in the opinion expressed by ~~Mr. Moore~~ Adviser.

In addition, and among other things, point might be made that Mr. Lysons falls into the common error of failing to distinguish between action (or lack of action) of the United States and action (or lack of action) by American nationals. If the American Government were shipping arms, munitions, etc., to Japan, instead of its being merely American nationals who are doing so (in the absence of any prohibition either in the treaty or in our laws), there might be a stronger basis for Mr. Lysons' argumentation.

(in)
However, regardless of the validity of Mr. Lysons' thesis, the memorandum which Mr. Lysons has submitted contains a very interesting discussion of the background of the Nine Power Treaty and other matters relating to that treaty and is well worth careful reading by way of refreshing our memories and adding to our familiarity with points which have arisen or may arise in connection with interpretation and application of that treaty.

SKH
Stanley K. Hornbeck

PA/H:SKH:ZMK

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

4/13/39 memo. to Mr. Hornbeck

DEPARTMENT OF STATE
THE COUNSELOR

LEGAL ADVISER
APR 13 1939
DEPARTMENT OF STATE

April 13, 1939

ADVISER ON POLITICAL RELATIONS
MR. HORNBECK
APR 18 1939
DEPARTMENT OF STATE

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Dear Hackworth:

The attached brief was left with me following a conversation yesterday afternoon of more than two hours in which the author of the brief, Mr. Lysons, Senator Schwellenbach, Dr. Hornbeck and I took part.

The heart of Mr. Lysons' statement is his contention that because the Nine Power Treaty obligates our Government to respect the sovereignty et cetera of China and to provide the opportunity for China to develop and maintain an effective and stable government, it is within the authority of the President to take such steps as he may deem proper to restrain or control Japanese aggression in China. Hornbeck and I argued that no such authority exists and that the situation must be dealt with by Congress if it is dealt with at all. Hornbeck indicated that sometime ago you reached that conclusion.

I promised that I would discuss the subject with you for the purpose of obtaining your definite opinion and then communicate with Senator Schwellenbach, and I will thank you to put me in position to do this as soon as possible since Mr. Lysons' stay in Washington is limited.

Yours very sincerely,

Robert M. Hornbeck

C RWM:AEM

See 811.208/946-997

APR 23 1939
MR. HORNBECK
COUNSELOR OF THE DEPARTMENT OF STATE

793.94/14897

F/FG
14897

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

15519

DEPARTMENT OF STATE
THE LEGAL ADVISER

File

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Mr. Moore:

COMMUNICATIONS AND RECORDS
DIVISION

April 13, 1939

APR 14 1939
MR. MOORE
COUNSELOR OF THE DEPARTMENT OF STATE

F.W. 793.94/14897

I do not consider that the position taken in the memorandum submitted by Mr. Lysons is tenable.

The provision in numbered paragraph (1) of Article I of the treaty obligating the Contracting Powers "To respect the sovereignty, the independence, and the territorial and administrative integrity of China" is an undertaking by each party to the treaty, other than China, to respect the sovereignty, etc. It does not constitute an obligation on the part of each to see to it that all the other parties shall observe the provision.

The meaning of the provision in numbered paragraph (2) of Article I referred to by Mr. Lysons, under which the parties to the treaty agree "To provide the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government" is a little less certain. The question at once arises as to how the Powers expected to provide China with the opportunity mentioned. The answer, in so far as it is indicated, is to be found in other provisions of the treaty. By the same Article I the Powers undertook to use their influence for the purpose of establishing and maintaining the

15520

-2-

the principle of equality of opportunity for the commerce and industry of "all nations" throughout the territory of China, and to refrain from taking advantage of conditions in China in order "to seek special rights or privileges which would abridge the rights of subjects or citizens of friendly States, and from countenancing action inimical to the security of such States".

By Article II the Powers agreed not to enter into any treaty or arrangement among themselves, or with any Power or Powers, "which would infringe or impair the principles stated in Article I."

In Article III it was agreed that in order to apply more effectually the principles of the Open Door in China for the trade and industry of all nations, the Contracting Powers would not seek nor support their nationals in seeking (a) any arrangement which might purport to establish in favor of their interests any general superiority of rights with respect to commercial or economic development in any region of China; and (b) any monopoly or preference which would deprive the nationals of any other Power of the right to undertake any legitimate trade or industry, or to participate with the Chinese Government or local authorities "in any category of public enterprise."

By Article IV the Powers agreed not to support any agreements by their nationals designed to create Spheres of
Influence

15521

-3-

Influence or to provide for the enjoyment of mutually exclusive opportunities in parts of Chinese territory. By Article VI they agreed to respect China's rights as a neutral in time of war to which China is not a party, and by Article VIII they agreed to invite other countries having treaty relations with China to adhere to the treaty.

It was by means of these various undertakings, and perhaps others not expressed, that the Powers were to provide "the fullest and most unembarrassed opportunity to China to develop and maintain for herself an effective and stable government". The agreement was in the nature of a mutual undertaking. It is not believed that it could successfully be maintained that the United States or any other Contracting Party took upon itself the duty of seeing to it that the undertakings should be carried out except in the manner provided in Article VII of the treaty, that is to say, to communicate with each other in a "full and frank" manner whenever a situation arises which, in the opinion of any one of them, involves the application of the stipulations of the treaty. But however this may be, the treaty does not give the President authority to place an embargo on the shipment of commodities to Japan. He could, of course, declare if he should so desire that the treaty is being violated by Japan and call upon the exporters not to ship commodities, but his action would not have the force

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

15522

-4-

force of law and might or might not be observed by shippers. Moreover, such a step by the President might have far-reaching consequences in the relations between the United States and Japan. It is a step which, in my opinion, should not be undertaken without Congressional authorization. What I have just said, of course, has no bearing on the authority of the President to embargo the shipment of arms, ammunition, and implements of war in the event that he should find that a state of war exists in the Far East.



Green H. Hackworth.

Le 894.24/
GHH:AD

15523

A Discussion of
THE NINE POWER TREATY

Its Applicability and Sufficiency As A
Means of Bringing World Peace

<u>Subject Index</u>	<u>Page</u>
Background of the Treaty.....	2
Interpretation of the Treaty....	5
Our Guilt in Treaty Violation...	6
Contemporaneous Construction Rule.....	7
Obligation of Affirmative Aid...	8
Treaty Obligation Several, Not Joint.....	8
Our Duty Emphasized.....	9
Material Benefits to Us.....	9
Let Us Set an Example.....	10
Executive Action Authorized.....	10
Public Sentiment in Approval.....	10
A Policy of Honesty.....	11
A Proclamation of Peace.....	11
All Materials Are Treaty Violative.....	12
America Should Lead the Way.....	12

By Fred. H. Lysons
Of the Seattle Bar

793.94/14897

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

Analysis of today's Far East war and the European threat of world war is convincing of the potency of the Nine Power Treaty as the all-sufficient vehicle of returning the world to the avenues of peace.

This analysis discloses a concert of action between Japan, Germany and Italy, and its effectiveness.

Timed to correspond with the moves of Italy or Germany in sections of central Europe where obstacles might be interposed by Russia, Britain or France are Japan's moves and threats against the Far East interests of these respective powers -- Siberia, Hong Kong and Indo China, rendering these powers impotent against the madmen of central Europe and enabling them to continue their ruthless march almost at will.

This is the story of their accomplishments of today, to be continued tomorrow and so long as this see-saw is permitted to function.

The result? World conquest, economic and military, by this triumverate.

The preventive?

Stop Japan. This for a two-fold reason -- its ease of accomplishment and the fact that Japan is the base, and her fall will be the fall of the triumverate.

The means of employing the Nine Power Treaty in this accomplishment are simple.

Article I of the Treaty, paragraphs 1 and 2,
impose upon the signatories, including the United States,
these obligations:

- (1) "To respect the sovereignty, the independence,
and administrative integrity of China."
and
(2) "To provide the fullest and most un-
embarrassed opportunity to China to develop and
maintain for herself an effective and stable
government."

By Article VI of the Constitution that instrument,
together with all duly enacted laws and treaties, are declared
to be "the supreme law of the land."

By decisions of the Supreme Court a treaty:

"Operates of itself, without the aid of any
legislation, state or national." *Asakura v.*
City of Seattle, 265 U.S. 332 (68 L. Ed. 1041)

"Is to be construed in a broad and liberal spirit,
and where two constructions are possible, one re-
strictive of rights that may be claimed under it
and the other favorable to them, the latter is to
be preferred." *Asakura v. City of Seattle*
(supra).

"Is to be executed in the utmost good faith, with
a view of making effective the purpose of the
high contracting parties." *Sullivan v. Kidd*,
254 U.S. 433-468.

"Binds the nations and all the subjects and
citizens thereof." *Poole v. Fleeger*, 11 Peters
U.S. 185-209.

Background of the Treaty

In such enactments, knowledge of all possibly
influencing historical events prior to and contemporaneous
therewith, is of as great -- or greater -- weight in seeking
its true meaning, than is the bare analysis of the words of
the enactment. (63 Cyc 857)

Such events of official knowledge leading up to
the enactment of this treaty were:

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

(a) Japan's 21 Demands on China of 1915, aimed at taking over the sovereignty and integrity of China and destroying her independence.

(b) The secrecy of these demands and Japan's denial that she was approaching China on any political subject whatever.

(c) That Japan, when cornered, gave out a completely false statement of the nature of these demands, indicating their purpose to be friendly cooperation with and assistance to China.

(d) That Japan's illegitimate designs on China through these demands had been temporarily halted by President Wilson's ultimatum of May 13, 1915.

(e) That Japan had consistently held to its official program of 1914 (forerunner of the 21 Demands, and which program became public through the official Memorial of the Japanese Black Dragon Society) to create disturbances throughout China by encouraging and financing war-lordism and other uprisings, and promoting smuggling to the deprivation of China's revenues, pledged to liquidate foreign loans.

All this with the expectation that this would bring Japan the "opportunity to alter China's republican form of government into a constitutional monarchy which shall necessarily be identical in all its details to the constitutional monarchy of Japan," (quoting from the Memorial) with Japan (as further programmed in the Memorial) in an advisory capacity in all departments of the government, civil, political, educational, military, and financial.

(f) Of the Lansing-Ishii Agreement of 1917, slyly imposed upon the United States.

In addition to these matters of official record the Conference knew:

(g) That Japan, following the World War, was preparing to move in on China under these demands; and that the World War had enriched her to a degree enabling her to advance these designs, while the other war participants had been impoverished to a degree rendering them impotent to stay her hand.

(h) That the necessity of balking Japan's program against China was the motivating cause for the Washington Conference, and was the reason for including Belgium, Portugal, and the Netherlands in the call.

(i) Of the Vicomte Ishii statement of 1914 and the 1917 statement of Vicomte Motono, Japanese minister of foreign affairs, that "the creation of a large and

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

efficient Chinese army would be a serious question for Japan."

(j) That the Lansing-Ishii Agreement of 1917 recognizing the special concession to Japan in limited districts in China, was immediately promulgated by Japan with the false interpretation that the agreement was not for "some special concession to Japan in these or other parts of China, but Japan's special position in China as a whole."

(k) That Japan's program of studied deception and fraud in conduct involving China had been confirmed in the May, 1918, statement of Marquis Okuma, author of the 21 Demands, that "morality and sincerity do not govern a country's diplomacy, which is guided by selfishness, pure and simple."

(l) That, as stated in 1918 by Thomas F. Millard, famous Shanghai correspondent of American and British newspapers, "students of politics and conditions in the Far East, and foreigners who live there, almost without exception, feel that unless that part of the world is somehow relieved from the pressure of the imperial ambitions of Japan, another war, which beyond doubt will involve several of the western powers including America, is inevitable; and that it was considered by them as "a part of the business of the United States for its own security, if for no other motive, to help settle it rightly."

(m) That, as further stated by Mr. Millard, "of late years the right of foreigners to do business in Japan, has been made largely nominal by the enforcement of interpretations and regulations that compel them to take the Japanese into partnership," later squeezing out the foreign partners.

(n) That the realization of Japan's program, perhaps even the undertaking of it with prospects of success, would lead to another world war, the Orient being a virgin field as the base for realignment of international political and trade conditions.

(o) That Japan's subjugation of China by whatsoever means, from the deceptions of diplomacy, as in the 21 Demands, to uncontrolled military attack, as in forcing withdrawal of its anti-Japanese trade boycott, meant Japan's regimentation of China's raw materials and horde of almost wageless workers; and that Japan's control of world trade, thus portended, meant the reduction of Occidental labor to a choice between unemployment and degradation to Asiatic standards of wages and living.

(p) That Japan charged chiefly against the United States the responsibility for the obstacles thrown in the way of its program in China, these charges being

086

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

so belligerent and war provocative that the United States adopted a policy of appeasement toward Japan, first taking form in our Immigration "Gentlemen's Agreement" of the Roosevelt Administration which, in our Immigration Act of 1921, was translated into legislative enactment; of Secretary of State Bryan's appeal to the California Legislature against the enactment of the anti-Japanese school attendance legislation.

(q) Of the Lansing-Ishii Agreement as part of this policy.

Summing up these and many similar known circumstances, the Conference knew of Japan's unalterable and defiant purpose to take over the sovereignty of China either at the expense of world war or with that as the result.

In this atmosphere and with the rare statesmanship of the Conference, the world, having full appreciation of the demands of the situation, and particularly of Japan's perfidy and untrustworthiness, had the right to expect from the Conference, an effectual block of Japan's purpose, a block dependent in any degree neither upon Japan's will nor subject to her stay; a block under the full and exclusive control of the other obligors of the treaty or any one of them.

The Nine Power Treaty met this expectation.

Interpretation of the Treaty.

In the light of the knowledge thus shed, and of the Constitutional provision and the court decisions, let us seek the interpretation of the first clause of Article I of the Treaty, which obligates the signatories:

"To respect the sovereignty, the independence, and the territorial and administrative integrity of China."

"Sovereignty" is defined as the "supreme authority" of the state. 33 CJ 395.

According to Chief Justice Marshall, "it is susceptible

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

of no limitation not imposed by itself" * * * all exceptions to the full and complete power of a nation within its own territories must be traced up to the consent of the nation itself. They can flow from no other legitimate source."

Schooner Exchange v. McFaddon, 7 Cranch 116.

"Respect" is defined in the dictionary "to hold sacred or inviolable; as, to respect the sanctity of a house of worship."

Does one respect the sanctity of a house of worship by going into that house unbidden, taking over the services and conducting them against the will of the membership? Or respect the sovereignty of a nation through similar misconduct?

Does one respect the sovereignty of a nation by going into that nation against its sovereign will and forcibly taking over its affairs of government?

Or, does one nation respect the sovereignty of another nation in knowingly supplying to a third nation the instrumentalities and munitions with which to forcibly take over that other nation's government?

Our Guilt in Treaty Violation.

This is precisely what we are doing toward China. And in so doing we are filling the role of both accessory and accomplice.

If, in this treaty breaking assault on China's sovereignty, our knowingly supplying to another nation the munitions which that other nation explodes does not constitute us co-violator of this treaty obligation, then our penitentiaries are occupied with many innocent inmates whose only offense was to hand to another the gun with which to

commit a murder.

And, if guilty, who can stay our hand from withdrawal from such guilt?

Who can deny our right, to halt at our shoreline, the exports which constitute such guilt? Keeping their supplies at home, in compliance with our own treaty obligation, distinguishes it from an embargo.

Were this not true we would be in the ignominious position of submitting our conduct to the regulation of another, and of coercion into law violation.

Contemporaneous Construction Rule.

That such right was our contemporaneous construction of the treaty, is indicated by an occurrence of 1924.

In that year, in reversal of our "appeasement policy" of prior to the treaty enactment, we repealed the immigration "Gentlemen's Agreement" act of 1921; and did it in the face of Japan's treath of "consequences" should the Congress dare to do so.

This act was undoubtedly the administration opinion, expressed contemporaneously with the treaty enactment, of its virility, and its sufficiency as giving us, and us alone, the right to direct our policy in the "respect" of China's sovereignty.

How was this "respect" to be evidenced? Certainly in the light of our world war experience, intervention by arms in her favor was unthinkable. Knowing Japan's lack of war equipment within her own borders, what more natural than the only other alternative, denial of supplies to her, should be considered to have been in the minds of the treaty framers?

Hence, with our ability to negatively keep Japan within bounds,
came our courage in defying her immigration complaint.

Obligation of Affirmative Aid

In complement to this negative obligation of respect,
is this affirmative obligation to aid China:

"To provide the fullest and most unembarrassed
opportunity to China to develop and maintain for
herself an effective and stable government."

This affirmative obligation, we have complied with to
the extent of credits to China, our whole citizenry applauding.

Could any lesser degree of approval be expected of our
compliance with the negative treaty provision?

Treaty Obligation Several, Not Joint.

It has been asserted that this treaty is a joint, as
distinguished from a several, instrument; that is, that it can
be invoked only through joint action of the signatories.

There are three answers to this contention.

First, the very heart of the treaty, the obligation to
"respect" the sovereignty of China -- a matter of conscience --
is necessarily a provision of severality. Otherwise, it would
imply the use of force, if need be, to bring about this joint
"respect."

The second answer is incorporated in Article VII of the
Treaty, which provides:

"The Contracting Powers agree that, whenever a situa-
tion arises which in the opinion of any one of them in-
volves the application of the stipulation of the present
Treaty, and renders desirable discussion of such ap-
plication, there shall be full and frank communication
between the Contracting Powers concerned."

Such conference, called by the United States, was held
at Brussels, presumably for "communication" between the powers,
as action under that article is limited thereto.

It will be noted that the two conditions imposed as a premise for such "communication" are connected by the conjunctive "and." Therefore, both conditions -- the arising of a "situation," and the desirability of its "discussion" -- must be present as a basis for the "communication."

Third, the treaty was directed against Japan, one of the signatories. It was well known to the Conference that China was under threat from no other source. To say that the treaty could be invoked only through joint action of all, including Japan, would have been self-contradictory. The purpose of the treaty would have been defeated at its inception.

Our Duty Emphasized.

The results it would bring -- world peace and security -- emphasize our duty to discharge this treaty obligation.

Material Benefits to Us.

From the very material standpoint of self-interest our aid in this day of distress would bring us thousand-fold returns, the inborn Chinese trait of gratitude being proverbial. An instance in point:

Years ago Chin Gee Hee, a pioneer Seattle Chinese who acquired here a knowledge of railroad construction, built a railroad in the interior from Canton. It is the only American standard-gauge road in China, necessitating the purchase in this country of equipment and supplies.

The reason? In the Pacific coast anti-Chinese movement of 1886, he and his family were saved from the mob by a "home guard" hastily organized by youthful James Hamilton Lewis (late United States Senator from Illinois)

187

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

and others. Hundreds of thousands of dollars poured into our commercial avenues, have been our reward; to Chin Gee Hee, from us, honorary life membership in the Seattle Chamber of Commerce.

This road is today one of China's war wrecks to be included in the program of reconstruction amounting to billions of dollars to Japan if China falls to her; to China's savior, if that fate is prevented, as Generalissimo Chiang Kai-shek's recent conference with British authorities confirms.

Let Us Set an Example.

In this day of treaty flouting and of rulers running wild, bespeaking the possibility of a world of savagery and even a threat to civilization, it is time that an example be set of self-treaty observance and orderly conduct.

This opportunity is ours today, coupled with the duty so to do.

Executive Action Authorized.

Defining the duties of the President, the Constitution (Art. II, Sec. 3) provides:

"He shall take care that the laws be faithfully executed."

A treaty, as we have seen, is a law, on parity of supremacy with the provisions of the Constitution itself.

"It depends, for its observance, on the honor of the nation obligated." *Edye v. Robertson*, 112 U.S. 580.

Public Sentiment in Approval.

An executive decree halting these munitions and supplies at our water's edge would be complied with instantly by the vendors and shippers.

If not, our people -- mothers, fathers, those holding

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

dear the principles of Christianity, morality and decency, those alarmed for world future through the increasingly deadened sense of responsibility to law, our whole citizenry-- would rise as one person and demand to know the reason why.

A Policy of Honesty.

In discharging this duty through such decree or proclamation, we should be honest with the world and, more important, honest with ourselves. As suppliers of the munitions and materials for this war of cruelty, inhumanity, debauchery and rape -- committing the initial wrong -- we should apply to ourselves the Biblical admonition of the mote and the beam: "Why beholdest thou the mote that is in thy brother's eye, but considerest not the beam that is in thine own eye."?

The crux of the situation is public sentiment. Its favor in China's support is assured if such support is given a form to avoid complications with Japan; non-war provocative. This form should be the assessment against ourselves, as suppliers of materials, the blame for treaty violation. Dismiss Japan from thought. Omit her name from the decree or proclamation stopping these exports.

A Proclamation of Peace.

Such proclamation would be a proclamation of peace; our withdrawal from war. The distinction between laying the blame against ourselves, or against Japan, marks the difference between regulation of our own conduct, and attempting the regulation of the conduct of another independent Power. The latter smacks of a willingness to war, if need be; and our people will not permit themselves to be drawn into war in such a cause.

0874

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

This is confirmed by the somewhat adverse reaction to public appeals heretofore made on this latter theory.

The common right, on the other hand, to regulate our own conduct, with no possibility of war involvement, is a right which the people will assume as a matter of course.

All Materials Are Treaty Violative.

Important in this connection is that the exports which we may stop under the treaty are not limited to war materials.

The treaty enjoins respect for the sovereignty of China. That sovereignty is violated by the entry into China, against her sovereign will, of materials for any purpose, even the most commendable. Our contribution to such entry constitutes our treaty violation.

Our proclamation of withdrawal from this war would, in my opinion, bring an approving response of a volume and of an approach to unanimity not exceeded in any event of recent times.

The preservation of humanity, of civilization, of Christianity, of international honesty, world peace and future world security through assurance of treaty respect, are worthwhile objectives.

America Should Lead the Way.

Let America lead the way to the accomplishment of these humane objectives, by executive order, courageously denying, and denying at once, export of those materials which are being employed for their destruction.

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

15524

CA

TELEGRAM RECEIVED

This telegram must be
closely paraphrased be-
fore being communicated **FROM**
to anyone (Br)

CHUNGKING VIA N R

Dated April 17, 1939

Rec'd 1:15 p.m.

Secretary of State
Washington

paraphrase
COPIES SENT TO
O.N.I. AND M.I.D.
in confidence

File
Division of
FAR EASTERN AFFAIRS
APR 18 1939
Department of State
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268, April 17, 10 p.m. (SECTION ONE)

L. C. Smith, Reuter correspondent, who has just
returned from a six weeks tour of the area under Yen
Hsi Shan's control which roughly comprises the southwest
quarter of Shansi province gathered the following impress-
ions:

The people have been well organized and mobilized
for resistance along the lines advocated and used by the
Chinese Communists but with complete absence of Communist
influence and political doctrines: their morale is high.
Yen Hsi Shan, who maintains his main base in Shensi, has
his own army of nine divisions totaling 80,000 men: in
addition he commands three central and three independent
brigades of approximately 20,000 regulars and also form-
idable forces of irregulars and self-defense corps.
Supplies of light arms and ammunition appeared abundant.
Guerrilla tactics in which Shansi troops excel are used
almost exclusively. Japanese influence is restricted to
railway which is kept open to traffic by the stationing
of

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

15525

CA 268 from Chungking (section 1)..

of Japanese troops and Chinese mercenaries at block
houses which have been constructed at intervals of
two miles along the railway.

(END SECTION ONE)

PECK

NPL EMB

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

15528

TELEGRAM RECEIVED

CA

FROM

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

CHUNGKING, VIA N. R.

Dated April 17, 1939

Rec'd 1:15 p.m.

Secretary of State

Washington

268, April 17, 10 p.m. (SECTION TWO)

Informant who is believed to be a competent observer came to the conclusion that the Japanese are definitely on the defensive in southwest Shansi for want of troops and that efforts to clear that area as well as other portions of Shansi will prove a long and costly if not impossible task. He stated that the Chinese authorities who seem to possess an excellent espionage service, told him that Japanese troops now in the province number at least 180,000 but are able to do little more than keep the lines of communication open.

The informant also interviewed leading military officials in Sian who expressed the view that the Japanese would probably attempt to invade Shansi by way of the Han River Valley rather than Shansi but added that they would have to overcome three separate army corps (including those of Li Tsung Jen and Hu Tsung Nan) in achieving this objective. Smith stated that the Japanese air raid

at Sian

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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--268 from Chungking, Sect. 211

at Sian on March 7 during which heavy bombs were dropped in the center of the city resulted in 4,000 casualties including 1,000 killed. Cheng Chien, Director of the Generalissimo's Sian headquarters and Chiang Ting Wen, Chairman of the Province, narrowly escaped death in this raid, while three generals and 55 other officers who were attending a military meeting at the time were killed.

Repeated to Peiping.

(END OF MESSAGE)

PECK

NPL EMB

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

(CONFIDENTIAL)

PARAPHRASE

15528
 CONFIDENTIAL

A telegram (no. 266) of April 17, 1936, from the American Embassy at Chungking reads substantially as follows:

After touring the area under the control of Yen Hsi-chan for six weeks the Reuter correspondent (Mr. L. G. Smith) has just returned to Chungking. This area comprises roughly the southwest quarter of the province of Shensi. Impressions gained by Mr. Smith who is thought to be a competent observer are as follows:

There seemed to be a plentiful supply of ammunition and light arms. Yen Hsi-chan, whose principal base is maintained in Shensi Province, commands, in addition to his own army of 80,000 men (nine divisions), formidable forces of self-defense corps and irregulars and also three independent and three central brigades. These brigades total approximately 20,000 regulars. Guerrilla tactics are used almost entirely. In this kind of tactics Shensi troops excel. The morale of the people is high. They have been well mobilized and organized for resistance along the lines used and advocated by the Chinese Communists. However, Communist political doctrines and influence are entirely absent. There is no Japanese influence except along the railway. Japanese soldiers and Chinese mercenaries stationed at block houses which have been built two miles apart along the railway keep the line open to traffic.

According

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

-3-

According to Smith, there were 4,000 casualties, including 1,000 killed, as a result of the heavy bombs dropped in the center of Sian during the Japanese air raid on that city on March 7. Fifty-eight officers, including three generals, who were attending a military meeting at the time were killed in this raid and the Chairman of the Province (Chiang Ting-wen) and the Director of the Sian headquarters of the Generalissimo (Cheng Chien) narrowly escaped death.

Leading military officials in Sian whom Smith interviewed expressed the opinion that the Han River Valley rather than Shensi would be likely to be the route by which the Japanese would try to invade Shensi Province. These military officials remarked, however, that in gaining their objective the Japanese would find it necessary to defeat three different army corps, including those of Hu Tsung-shan and Li Tsung-jen.

Smith said that he had been told by the Chinese authorities who appear to have a very fine espionage service that, although there are at least 150,000 Japanese troops in Shensi at the present time, these troops are not able to do much more than keep open the lines of communication. The conclusion reached by Smith was that for want of troops the Japanese are definitely on

the

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

CONFIDENTIAL

-3-

the defensive in the southwestern part of Shansi and that it will be a costly and long task, if not an impossible one, to clear that part of Shansi as well as other parts of the province.

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

PAP

TELEGRAM RECEIVED

TSINANFU VIA TSINGTAO VIA
 N.R.

FROM Dated April 14, 1939

Rec'd 1:15 P.m. April 17

Secretary of State
 Washington

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

Division of
 FAR EASTERN AFFAIRS
 APR 18 1939
 Department of State

16, April 14, 5 p.m.

My telegram No. 13, March 30, 4 p.m. /14829

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One. That guerrillas and regular Chinese troops are active in widely separate areas of Shantung as alleged by Chinese rumors is confirmed by reports from Japanese military sources published in the Quasi-official press. Clashes reported during the last few days at Feicheng 33 miles south of Tsinanfu and at Changkite the same distance east of here. The Japanese also admit encounters at Tehping and Linyi in northern Shantung at Tunga in the western part of the province and at Feih sien, Tenghsien and Taiachwang in Southern Shantung..

Two. Naturally the Japanese claim consistent victories. However, while the Japanese military report clashes in the vicinity of Feicheng as early as April 2nd and 3rd, the Consulate is reliably informed that the office of the Provincial Commissioner of Reconstruction is in receipt of no (repeat no) official communications from that place for over a week, which would

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

PAP -2- 16, April 14, 5 p.m. from Tsinanfu

would indicate that the Japanese are not (repeat not)
in control there.

Three. A recrudescence of Chinese military resistance in Shantung is said by Consulate's Chinese contacts to have been timed to coincide with the Chinese attack on Kaifeng and to take advantage of Japanese troop withdrawals to meet increased demands on the Soviet border.

Repeated to Chungking by mail to Peiping and Tientsin.

HAWTHORNE

(*) omission

CSB

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 20, 1939.

~~JCV~~

~~NAA~~

~~JWB~~

~~MMH~~

~~LES~~

You may care to glance at
 marked portions of Hong Kong
 editorial enclosed with Hong
 Kong's despatch no. 412 of
 March 18, 1939 in which a
 strong plea is made for
 vigorous action on the part
 of the United States against
 all treaty breakers.

FE:Penfield

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

No. 412

File	M	SEARCHED	INDEXED
Southard		OVI-MID	

AMERICAN CONSULATE GENERAL

Hong Kong, March 18, 1939

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

SUBJECT: Hong Kong Comment on American Attitude
 Towards Protection of Interests in the
 Far East.

APR 17 3 07 PM '39

THE HONORABLE

THE SECRETARY

ADVISER ON POLITICAL RELATIONS
 MR. HORNBECK
 APR 25 1939
 DEPARTMENT OF STATE
 WASHINGTON.

Division of
 FAR EASTERN AFFAIRS
 APR 19 1939
 Department of State

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 93

ASSISTANT SECRETARY
 OF STATE
 APR 25 1939

I have the honor to report that recently published statements, credited to members of Congress and other officials of our Government, on what should be our attitude in the protection of American interests in the Far East, have naturally evoked considerable comment in Hong Kong where interest and curiosity in American reaction to Far Eastern developments are generally quite lively and prone to expression. Much of the comment is, of course, more trite than otherwise. However, the actual existence of such active concern is assumed to be of interest to the Department, and I accordingly enclose an editorial from the SOUTH CHINA MORNING POST of March 18th, 1939, which is representative of the more substantial of the comment on the general subject. This particular newspaper is thought to be the most conservative of all those published in Hong Kong, and its editorials are likely on occasion to represent a cross section of local official thought on the news and events of the day

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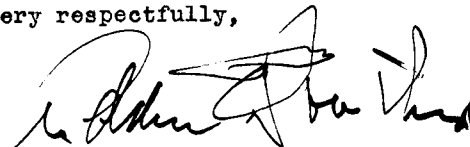
APR 27 1939

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

- 2 -

day. The theme of the comment enclosed, as well as of most of that of related kind which we have heard or read, is that it would "be in the best interests of the U.S.A. to act in concert with all other law-abiding nations to call a halt to (international) aggression and lawlessness wherever they may break out".

Very respectfully,



Addison E. Southard
American Consul General

✓
Enclosure:

1. Editorial from the SOUTH CHINA MORNING POST of March 18, 1939.

Distribution:

In quintuplicate to the Department;
Copy to Embassy, London;
Copy to Embassy, Chungking;
Copy to Embassy, Tokyo.

800
AES:em

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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. 412 dated March 18, 1939, from Addison E. Southard, American Consul General at Hong Kong, entitled "Hong Kong Comment on American Attitude Towards Protection of Interests in the Far East".

SOUTH CHINA MORNING POST

March 18th, 1939.

America's Interests

If Senators J. H. Lewis and R. R. Reynolds truly reflect American opinion of American interests in the Far East, there is only one logical thing for the United States Government to do—namely, withdraw all United States troops from the Orient. In the protection of American interests in China, disputes short of an actual clash have arisen frequently between the armed forces of the United States and the Japanese during the last eighteen months. There were times last year—the sinking of the Panay, for example—when it seemed that the action of the Japanese military in riding rough-shod over American rights and interests in China might have led to something more serious than sharply worded protests from Washington. Clashes were, of course, to be expected, much in the same way as it is to be expected that the mere presence of policemen among a crowd of law-breakers may produce violence. On the other hand, if America is determined at all costs to avoid conflict with the Japanese, no matter how they may trample on American rights and interests in China, and no matter what their eventual policy against the U.S.A. may be, then of course peace between America and Japan can be preserved; and in that case Senator Reynolds was perfectly right in saying the other day: "The whole of China is not worth spilling the blood of a single son of a United States mother." There is, however, reason for believing that Senators Lewis and Reynolds do not represent majority opinion in America.

Being a democracy, the U.S.A. has usually been slow in asserting herself in a matter of international concern; and especially is this so where the scene of trouble is so far removed as China. The interests

of the various states in the U.S.A. are so divergent, and the population so large, that it goes without saying it must take a little time before American public opinion can crystallise into anything definite enough to be called American Far Eastern policy. There are grounds for thinking, however, that the American public is gradually but steadily realising that what happens in this part of the world will not be without its influence on the destiny of the U.S.A. For one thing, the world is so knit together that a plague of lawlessness in one place is sure to spread to other places sooner or later, and vast spaces are no protection against contamination. This fact has dawned on most American leaders of opinion, and there are few now who do not admit that Japanese aggression in Manchuria in 1931 has been responsible for the rape of Abyssinia, the breakdown of the League, the barefaced intervention of Germany and Italy in the Spanish Civil War, the scrapping of the treaties of Versailles, Saint Germain and Trianon, the shameless dismemberment of Czechoslovakia, and other lawless acts in all the continents except Australia. These occurrences have brought home to Americans that, unless something effective is done to stop this riot into lawlessness, it will not be long before the splendid isolation of America is invaded boldly by international brigands. To secure herself against future aggression, if for nothing else, it would therefore be in the best interests of the U.S.A. to act in concert with all the other law-abiding nations to call a halt to aggression and lawlessness wherever they may break out.

But there is another thing which has made Americans realise that they cannot be indifferent to what goes on in China. The argument invariably marshalled by isolationists, pacifists and pro-Japanese

agents in the U.S.A., is that American interests in China do not amount to very much, and that it will not be worth America's while to defend them, as in doing so she may be involved in a war with Japan, in which case America will have to spend very much more money than she has actually put into China. This is undoubtedly true. But one fact has always been lost sight of by those who think in this way. They should never forget the colossal sum of money that America has already spent and will have to spend on her rearmament programme in years to come—and all because of the feeling of uncertainty about her security which Japanese aggression and lawlessness have brought about. Looking at the matter purely in terms of dollars and cents, it should be cheaper for the U.S.A. to do something now to put a stop to Japanese aggression and lawlessness than let the madness run its successful course. It would seem therefore that America's true interests lie, not in folding her arms and buying a short-lived peace by throwing money into rearmament, but in vigorous action against all treaty breakers. By doing so, America will contribute not only to the peace of the world, but her own peace.

—Vox HUMANA.

1881

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

20328

TELEGRAM RECEIVED

RFP

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

Paris

Dated April 18, 1939

Rec'd 10:55 a.m. Division of

Secretary of State

Washington



765, April 18, 1 p.m. (SECTION ONE)

SECRET AND STRICTLY CONFIDENTIAL FOR THE SECRETARY.

The Chinese Ambassador Wellington Koo asked to see me this morning and made the following statements to me.

On the 29th day of March, under explicit instructions from his Government, he had called on Leger, Secretary General of the Ministry for Foreign Affairs and had made a series of verbal proposals on behalf of the Chinese Government. On the same day the Chinese Ambassador in London had made similar proposals to the British Government.

Leger had requested him to present the proposals in written form and he had given Leger a confidential memorandum containing them on April 4th. The British Government had not asked for a written proposal but had taken note in writing of the statements of the Chinese Ambassador in London.

BULLITT

KLP

793.94114901

FILED

Confidential File

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

20329

4663

TELEGRAM RECEIVED

PAP

PARIS

This telegram must be
closely paraphrased be- FROM Dated April 18, 1939
fore being communicated
to anyone. (D) Rec'd 11:05 a.m.

Secretary of State

Washington

765, April 18, 1 p.m. (SECTION TWO)

Koo then gave me a copy of the memorandum which
he had presented to Leger on April 4th.

Inasmuch as it seems to be of the highest im-
portance that these proposals should be kept secret
I cannot telegraph them in a non-confidential code
and it would be improper to repeat a written proposal
of another government in a confidential code. I will
therefore send you a copy of the memorandum in question
by pouch tomorrow, and submit herewith summary.

*Letter to
Secretary of State
April 18, 1939*

The opinion is expressed in the memorandum that
Japan is attacking China not only to conquer China but
also to eliminate and destroy all influence and
interests in the Far East of other powers. The war
between China and Japan is regarded as an integral part
of the effort of the totalitarian states to overwhelm
the democracies.

In the event of war in Europe it is believed that
Japan will attack the territorial possessions of France
and Great Britain in the Far East.

BULLITT

0891
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Department of State letter, August 10, 1972
By Milton D. Quisenberry NARS, Date 12-18-75

20330

TELEGRAM RECEIVED

JR

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to anyone. (D)

FROM Paris

Dated April 18, 1939

Rec'd 12:50 p.m.

Secretary of State,
Washington.

765, April 18, 1 p.m. (SECTION THREE).

The Chinese Government proposes in view of the
threat of war in Europe that there should be immediate
practical consultation between the French, British and
Chinese Governments for joint action in the Far East
against Japanese aggression and offers to collaborate
fully in the preparation of a plan.

For the purpose of facilitating discussion the
Chinese Government presents the following concrete
proposals to the French Government.

One. That China, France and Great Britain should
cooperate immediately in military and economic measures
and later that the Soviet Union should be asked to join
them, and that the United States should be asked to take
parallel action.

BULLITT

KLP

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

20331

TELEGRAM RECEIVED

CJ

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 closely paraphrased be-
 fore being communicated FROM Dated April 18, 1939
 to anyone. (D) Received 11:12 a.m.

Secretary of State,
 Washington.

765, April 18, 1 p.m. (SECTION FOUR).

Two. That China should agree to supply all the man power including military effectives and materials at her disposal and the French and British Governments should send to the Far East all available air and naval forces for the joint prosecution of the war. China, France and England should each appoint a military representative with full powers to adopt a military plan and direct its fulfillment.

Three. China, England and France should take joint measures to maintain their respective trade and currencies and to apply jointly to Japan economic and financial sanctions. Each state should appoint an economic representative with full powers to decide on any change to economic plan and direct its fulfillment.

Four. China, Great Britain and France should promise not to agree to a separate armistice or a separate peace with Japan.

When I had read the memorandum I said to the
 Chinese

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

20332

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-2-, #765, April 18, 1 p.m. (SECTION FOUR) from Paris

Chinese Ambassador that a most important point seemed to me obscure. The memorandum seemed to be based on the assumption that England and France were already at war with Japan. As this was not the case I should be glad to know why the memorandum had been drawn in this form.

BULLITT

KLP

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

20333

JR

TELEGRAM RECEIVED

This telegram to be
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to anyone. (D)

Paris

Dated April 18, 1939

FROM

Rec'd 1:05 p.m.

Secretary of State,
Washington.

765, April 18, 1 p.m. (SECTION FIVE).

The Chinese Ambassador replied that the entire memorandum was based on the premise that war certainly would break out in Europe and would be followed by a Japanese attack on British and French possessions in the Far East. The Chinese Government was proposing engagements to be taken in advance of war to become effective only in case of war.

In conclusion the Chinese Ambassador said that General Chiang Kai Shek and all the members of the Chinese Government were most hopeful that the President might use his influence to promote favorable consideration of this proposal by the French and British Governments. He went on to say that on the 12th of April he had called on Leger to ask for the opinion of the French Government with regard to the proposals contained in his memorandum of April 4. He had received the reply that owing to intense preoccupation with affairs in Europe it had been impossible for the French Government to give the
Chinese

7894
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

20334

-2- #765, April 18, 1 p.m. (SECTION FIVE) from Paris.

Chinese proposal proper consideration.

The Chinese Ambassador in London had received nothing but the reply that the British Government regarded the proposal as intensely interesting and the promise that it would be given careful study.

The Chinese Ambassador ended his conversation by remarking that he had come to see me because he had received a communication from Chiang Kai Shek instructing him to ask me to assist him in furthering the project.
(END MESSAGE)

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

Shown to Mr. Fain. 3/24.

JR

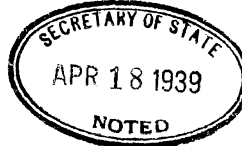
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Dated April 18, 1939

FROM Rec'd 1:40 p.m.

Secretary of State,
Washington.



770, April 18, 6 p.m. (SECTION ONE)

STRICTLY CONFIDENTIAL FOR THE SECRETARY.

I asked Leger this afternoon if he had replied to the memorandum presented to him on April 4th by the Chinese Ambassador (referred to in my 765, April 18, 1 p.m.). He replied that he had as yet given no answer to the Chinese Ambassador but that the British Government had replied last night to the similar demarche made by the Chinese Ambassador in London.

The British had said that they would be unwilling to enter into any agreement now with the Chinese Government based on the hypothesis that if Great Britain should become involved in war in Europe Japan would attempt to seize British possessions in the Far East. The British Government had stated further to the Chinese that they had hopes that the presence of the American fleet in the Pacific might prevent a Japanese attack on British possessions in the Far East.

BULLITT

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793.94/14902

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15530

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RFP

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to anyone. (D)

Paris

Dated April 18, 1939

Rec'd 1:50 p.m.

Secretary of State

Washington

770, April 18, 6 p.m. (SECTION TWO)

In case Japan should attack British possessions
in the Far East and in case no assistance from the
United States should be forthcoming the British Govern-
ment had decided that they could bring no assistance
to their possessions in the Far East until the success-
ful conclusion of war in Europe.

Leger went on to say that the French reply to the
Chinese Government would be along the same lines. 'I
then suggested to him that it was most unfair for the
French Government to continue to place a transit tax
of 4% on goods destined for the Chinese Government in
transit through French Indo-China. (See my 766, April
18, 2 p.m.) He agreed this was stiff; but added that
the justification for it was that Indo-China was com-
pelled at the moment to rely on its own revenues for
its defense.

BULLITT

KLP

15531

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JR

This telegram must be
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fore being communicated
to anyone. (D)

FROM Paris

Dated April 18, 1939

Rec'd 2:23 p.m.

Secretary of State,
Washington.

770, April 18, 6 p.m. (SECTION THREE).

Leger added that the French Government had cut off all deliveries of iron from French Indo-China to Japan after the seizure of the Spratley Islands by Japan. This measure was proving to be ruinous to the finances of Indo-China and to the welfare of the local population. Moreover, the Japanese were obtaining the iron they needed from British possessions in the Malay Peninsula.

The French Government therefore had proposed to the British Government that this source of supply to Japan should be cut off. The British Government had replied that this could be done easily by raising the export tax on this iron but had added that it could see no utility in cutting off exports of iron from these French and British possessions so long as Japan could obtain all the supplies of iron she might need from the United States.

Leger said that he had been informed that the

British

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

15532

-2- #770, April 18, 6 p.m. (SECTION THREE) from Paris.

British Government was about to ask the Government of the United States if something could not be done to cut off supplies of iron from the United States to Japan.

We then had some discussion of the problem of bringing pressure to bear on Japan, Germany and Italy by buying through joint action by the French, British and American Governments certain essential war materials. I venture to suggest that this question is worth studying. (END OF MESSAGE).

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

DOCUMENT FILE

NOTE

SEE 893.796/268 FOR telegram # 268, noon

FROM China (Chungking) (Peck) DATED April 15, 1939.
TO NAME 1-1127 o p o

Sino-Japanese conflict.

REGARDING:

Eurasia plane number nineteen was forced down by
three Japanese bombers near Laokay April 13.
Another Eurasia plane forced down near Lanchow
April 14.

aa

793.94/14903

14903 -

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

REB

PLAIN & GRAY

Chungking via N. R.

Dated April 15, 1939

Rec'd 1:18 p. m.

Note
793.94
Secretary of State,
Washington.

266, April 15th, noon.

Reliable sources confirm press reports that Eurasia plane number nineteen was forced down by three Japanese bombers which machinegunned it over Chinese territory near Laokay on Yunnan-Indo-China border April 13. Pilot injured on head either by bullet or as result of bumpy landing. No other casualties.

Another Eurasia plane made forced landing on emergency field near Lanchow April 14th, reportedly owing to damaged aerolon. No casualties. Damage not serious.

Local Eurasia office states three of their planes now laid up, two still in operation.

Repeated to Hong Kong by mail to yunnanfu.

PECK

RR

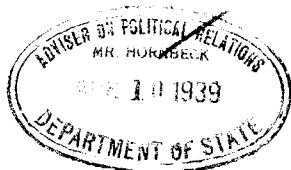
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 Department of State letter, August 10, 1972
 By Milton D. Gustafson NARS, Date 12-18-75



G-2 Digest of Information
 Sino-Japanese Situation
 March 26 - April 7, 1939

DECLASSIFIED

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

OSD letter, May 3, 1977

NARS Date

1. MILITARY.

a. The Japanese operation against Nanchang resulted in the fall of that city on March 27. Three divisions, part of a fourth and probably motorized elements of other units were employed. The scheme of maneuver involved a holding attack to the west, in the direction Yungshiu--Nanchang to protect the exposed right flank, direct pressure down the line Yungshiu--Nanchang, and a break-through and subsequent encirclement of Nanchang by a highly mobile force in the direction Yungshiu--Kaoan--Nanchang. This last force fulfilled its mission completely and the Chinese defense collapsed. Casualties on both sides seem to have been fairly heavy, but not sufficient to cripple any major units. Subsequent to the fall of Nanchang, the Japanese moved security forces a few miles to the south and faced two divisions to the west on the front Nanchang--Kaoan where they are pressing lightly against stiff Chinese resistance.

Comment. The capture of Nanchang interrupts the Chokiang--Hunan railway. In a more highly organized army than the Chinese, this event would affect seriously the operations of units in Chokiang, southern Anhwei and eastern Kiangsi. It is not believed however that in this case it will be more than a military inconvenience. The economic effects are more serious. Hunan and its antimony trade are cut off from the seaport of Nanchow, and most important of all, the import of salt into Kiangsi and Hunan provinces from the coast is seriously hindered.

Chinese circles anticipate the resumption of the Japanese offensive on Changsha from Nanchang and Yochow, respectively 180 and 80 miles distant. There are at present 13 Japanese divisions in the Central China theater, of which four are in the Nanchang area and two around Yochow. It is believed that two or three more of the 13 could be spared for an operation against Changsha. This would seem to be an inadequate force for such an extensive operation, but the Chinese are genuinely apprehensive. Some color is given to their fears by the Japanese assumption of the defensive along the Han River and Ping-han Railway, which in turn suggests a reconcentration for offensive action elsewhere.

b. On March 31 - April 1 the Japanese Canton expedition launched what was apparently a punitive and pacification expedition to the west of the Pearl River delta, where a similar operation took place in the autumn of 1938. After landing at Pakkai, the Japanese advanced and captured the town of Kongmoon some four miles distant. A strong Chinese reaction ensued and the Japanese were thrown out of Kongmoon by April 2. They counterattacked on the 3d, recapturing the city, which they now hold.

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Division of
 FAR EASTERN AFFAIRS

APR 8 - 1939

Department of State

793.94/14904

F/FG4934

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

The operation has been exceedingly costly, and in view of the limited strength of the Canton expedition, it is liable to prove embarrassing.

c. The Japanese push to the south across the Chien Tang River from Hangchow, Chekiang, which was made with limited strength, has been repulsed.

d. Guerrilla Situation. In Shansi the guerrillas seem to be more than holding their own against the Japanese. In the Shanghai--Hangchow--Nanking area the guerrillas are active but not particularly effective. Elsewhere in Central China and in Kwangtung the guerrillas do not present any serious or organized threat. In Central Hopei and in the flatlands of Shantung the Japanese apparently have the upper hand, are extending their control and are having some success in organizing Chinese gendarmerie. In this last area nothing has materialized from orders given by the National Government for an intensification of the guerrilla effort.

e. Chengchow, Honan, has been repeatedly bombed by Japanese aviation in the course of which the American mission station there has been hit. While Chengchow is an important military objective, repeated instances of damage by bombing to foreign institutions has convinced many observers that a systematic effort to destroy these evidences of foreign influence is in process.

2. MISCELLANEOUS.

a. The Japanese have resumed through train service between Peiping and Pukow, the Hwai River bridge at Fengpu finally having been repaired. Fairly reliable reports indicate that construction of a railway, Ula Ude--Kiaokta--Urga has been completed. This lends color to an unverified report that a supply road, Urga--Lanchow, has been opened, supplementing and perhaps supplanting the Sergiopol--Tihwa--Lanchow route.

b. On March 25 Mr. Sun Fo, President of the Legislative Yuan and the Russian Ambassador left Chungking by air, presumably for Moscow. It is believed that Mr. Sun's mission is to obtain additional assistance from the Soviet Union.

c. On March 26 the Chinese Government announced suspension of service on the Salt Loans. This is probably a consequence of the loss of the Heichow (Kiangsu) salt fields.

d. On March 30, the Anniversary celebration of the Reformed Government at Nanking developed into the 4th meeting of the United Council of the Republic of China. Action taken by the Council included a repudiation of any foreign loans made or to be made to the National Government and a denunciation of any foreign powers assisting Chiang Kai-shek. Widespread indications are apparent that the puppet governments are sponsoring

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090

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

anti-occidental agitation with special emphasis against the British.

e. On March 30 the Japanese Government incorporated the Sinnan Islands in the South China Sea as a part of the Japanese empire and placed them under the administration of the Taiwan (Formosan) Government. The press, probably intentionally misinformed, reported that this action pertained only to the Spratly group (8°54' N. Lat., 111°56' E. Long.). However the State Department has been informed officially that Japanese jurisdiction has been asserted over an irregular and extensive sea area included between the 111th and 117th meridians and the 7th and 12th parallels of latitude, the greatest dimensions of which are about 350 miles from east to west and 275 miles from north to south. Spratly Island is on the western edge of the area, which extends at one point to within 50 miles of the Palawan (P. I.) coast, and is only slightly farther removed from Borneo. In the past France has claimed sovereignty over Spratly Island and certain other islands in its vicinity, although apparently her pretensions do not cover the entire area, the eastern section of which seems to have been a true no-man's-land. France has protested Japan's action formally and Great Britain has expressed concern thereat. It is understood that Japan will reply to France asserting prior claim to the islands involved and physical occupation by Japanese nationals, something which the French have neglected to do.

Comment. The Japanese are known to have contemplated the acquisition of this area for at least three months.

The area is off the world's trade routes, is a notorious navigational danger spot, and much of it has been unsurveyed. It is known to contain many reefs and islands, with almost no economic resources, and it is believed without suitable sites for military air or submarine bases. Presumably the limited facilities necessary to a South Pacific commercial air line could be readily established on one of the islets. Its potentialities for the operation of tender-based aviation or submarines should be good. Furthermore, when held by Japan as a closed area, with its reefs and shallows known only to the Japanese, its tactical and strategical value to the imperial navy is obvious.

While the occupation tends to flank out the Philippines, the strategical threat involved, in terms of sensitive terrain and sea routes, adds to the existing danger from Formosa but is not comparable to the latter in weight. Where France and Great Britain are concerned the case is more serious. The advance marks a new farthest South for Japan along the Asiatic coast. Her grip on the China Sea is strengthened. She now blankets the east coast of Indo-China and is in a position to strike with some effect, if not heavily, toward Borneo and the narrow waters of Malaya. As usual, the Japanese action was timed to take advantage of the preoccupation of Great Britain and France with Europe. It is impossible to determine whether it represents opportunism on the part of Japan or whether it was coordinated with the activities of the Axis powers.

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

7. On April 2 it was announced at Moscow that an agreement had been reached on the Russo-Japanese fisheries question for the current year. Essentially a compromise, the agreement gave the Russians the following advantages: short term, a slight increase in rentals and tacit admission of the right to abolish Japanese vested interest in specific fishing lots. On the other hand the Japanese are confirmed for the year in what is substantially the obtaining allocation of lots and the collateral issues which the Russians injected into the negotiations have been dropped.

Comment. The obvious significance of the agreement is that Japan and Russia are in no mind to go to war with each other at present. So far as Japan is concerned, the extent of her present commitments in China would seem to be sufficient to explain her desire for peace to the north. However, Chinese officials and the Chinese press have been quick to couple the agreement with the Japanese occupation of the Min-nan archipelago and to characterize the two events as definitely indicating a shift toward the south in Japan's march of empire, with consequent peril to Great Britain and France. The concept presented by such an interpretation comes, of course, within the bounds of possibility. It may even be extended to include the idea of a neutral Russia, conciliated by the Axis powers. But available information pointing toward this tendency must still be regarded as inconclusive.

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

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to anyone. (br)

FROM FOOCHOW VIA PEIPING & N.R.

Dated April 18, 1939

Rec'd 3:20 PM

Secretary of State,
Washington.

April 18, 11 a. m.

Japanese planes bombed forts near barrier yesterday
and two motorboats from Japanese war vessels burned
four loaded lighters tied up to foreign merchant ships
at Sharp Peak and set fire to a launch.

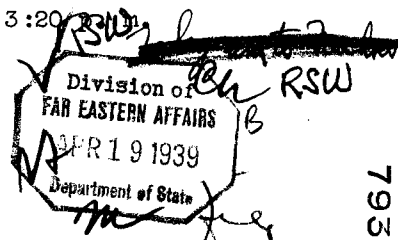
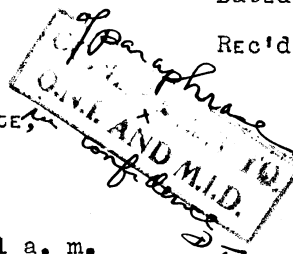
S.S. PROSPER boarded and papers examined.

Many Chinese are leaving Foochow but quiet and
order prevail despite frequent air alarms.

U.S.S. EDSALL expected to arrive 19th. Sent to
Peiping, repeated to Embassy Chungking, Shanghai.

WARD Rowe

CSB



793.94/14905

APR 19 1939

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0906

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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 of April 18, 1939, from the American Consul at Foochow reads substantially as follows:

In spite of frequent air alarms order and quiet prevail in Foochow. However, many Chinese are leaving the city. The S.S. Prosper was boarded and the ship's papers were examined. It is expected that the U.S.S. Edsall will arrive on April 19. On April 17, four loaded lighters tied up to foreign merchant vessels at Sharp Peak were burned by two motorboats from Japanese war vessels. A launch also was set on fire by the motorboats and the forts near the barrier were bombed by Japanese airplanes.

793.94/14905

892.
FE:EGC:JPS
4-19

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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

EDWARD H. HUME, M.D.
DIRECTOR

CHRISTIAN MEDICAL COUNCIL FOR OVERSEAS WORK
156 FIFTH AVENUE, NEW YORK, N. Y.
RECEIVED
DEPARTMENT OF STATE

Division of
FAR EASTERN AFFAIRS
APR 18 1939
RECORDS

ADVISER ON POLITICAL RELATIONS
MR. HORNBECK
APR 18 1939
DEPARTMENT OF STATE

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FE
PAH
COOPERATING WITH THE
FOREIGN MISSIONS CONFERENCE
OF NORTH AMERICA

12th April, 1939.

Dear Doctor Hornbeck,

You will wish to see this important letter from
Mrs. George A. Fitch, sending us a copy of a letter she has
received from her husband.

With good wishes.

Sincerely yours,

Edward H. Hume

Edward H. Hume, M.D.
Director

Doctor Stanley Hornbeck,
Department of State,
Washington, D.C.

Enc.

793.94/14906

APR 19 1939

FILED

F/FG 4906

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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 C. Hueston NARS, Date 12-18-75

SHANGHAI TIFFIN CLUB

NEW YORK

EXTRA BULLETIN

Monday, April 10, 1939

REMINDER

VERY INTERESTING TIFFIN TOMORROW, TUESDAY. DON'T MISS IT!

DR. EDWARD HUME will address the Club at the May Tiffin, Tuesday, May 9. Ladies will be invited. BE SURE TO RESERVE THE DATE.

COMMUNICATIONS

The following letter from Mrs. Geo. A. Fitch, transmitting a letter from George, is so full of courageous spirit and vivid interest that it seems wise to get it to the membership while it is still crisp:
April 1st, 1939.

Dear Friends in China and out:

My part in this must be kept to a mere news-sheet, as I have a rather lengthy story from George to send you.

As you see, I am in the Capital. The Committee on Non-Participation in Japanese Aggression, of which Col. Henry L. Stimson is chairman, asked me to come here. Of course, "Henry" didn't ask me, but the committee did, and here I am! I left California with ten thousand signatures to a petition to stop the flow of war materials to Japan. I expect other petitions to roll in until I have at least 50,000 signatures from my part of the Pacific Coast, protesting our infamous traffic with an aggressor nation. I find the "boys" on Capitol Hill are pretty much afraid of offending Japan and getting involved in war. Why don't they think of how we are offending 450 millions of Chinese people? I don't want them to fight for China, or against Japan, but just to stop helping the Japanese military machine destroy peace-loving China. It sounds so simple to me. They make it so complicated. I am told a few personal letters mean more than many petitions. Have you written your Senators and your Representatives?

I am to be addressed as above for two weeks, then at China Information Service, 945 Pennsylvania Ave., N.W., for two more weeks (as they will forward mail whenever I leave), - or at all times at 101 N. Hill, Pasadena, where my parents are staying with my boys.

Before leaving Pasadena, I made good on a promise to speak to my Bobby's sixth grade, studying China as a project and doing a good job of it. The teacher told Bobby he might introduce me. So, as I came into the room, Bobby walked to the front and with a little 3-cornered smile said: "That's my Mother at the back of the room. She's lived in China about twenty years, so I suppose she knows a lot about it; and you probably will, too, by the time she gets through!" Then the teacher said, "Tell them something about your father, too, Robert." Another little smile, and Bobby went on: "Well, I don't want to boast, but my Father was mayor of the Nanking Safety Zone, and now he's up in Chungking, and the Nanking people (who live in Chungking now) have given him a gold medal and a big banner, and had a banquet attended by 500 people." At home that evening, Bobby was telling my Mother about it: "I was pretty good, Grandma, - so good Mother had tears in her eyes. But I guess that was because I talked about Daddy!"

George left by freighter on November 16th. He arrived in Chungking West China, on January 26th. Going in by China's "back-door" meant steamer from Hongkong to Kaiphong, narrow-gauge railway thru French Indo-China to Kunming, Capitol of Yunnan province. Then two days by bus to Kweiyang, Kweichow; and waiting there till a truck came along bound for Chungking. He might have flown from Hongkong in seven hours, but he wanted to see "free China", and now he writes you of it.

My plans for return are nebulous. I'll write again as they develop

Sincerely yours,
/s/ Geraldine T. Fitch

EXTRA BULLETIN 4/10/39

-2-

Chungking, China's New Capital - February 12, 1939.

An amazing city, this! Here we are at the very head of the mighty Yangtze Gorges and on the threshold of China's richest, most populous and farthest west province, Szechuan. Together with Yunnan and Kweichow, in the southwest, these vast provinces were until quite recently considered too remote and unapproachable by the Chinese of eastern China and so little attention was paid to them.

To reach Chungking it was necessary to brave the dangers of the trip up the Gorges, where still lie the wrecks of many powerful steamships especially built for hardships of this voyage, not to mention the thousands of junks that have been shattered on the rocks or sucked under by the great whirlpools. To reach Yunnan one had to take a circuitous trip through French Indo-China and then travel three days by rail to reach its capital, Kunming, high on its mountain plateau. Today not only do the 'planes of the C.N.A.C. (American) and the Eurasia Company (Germany) come in and out of these cities daily, but new motor roads, from various directions and coming through this mountainous country many hundreds of miles, have opened up this little-known West in a way never dreamed of five years ago. For over these roads have come tens of thousands from the Japanese occupied areas to the east -- thousands on foot, thousands by truck or bus or motor car, some by chair. And with the, besides government officials, have been many leaders of industry, technical experts, scientists, skilled artisans, educationists, students.

The impact of this trained, modern, progressive mass from the East on the conservative, undeveloped West is already startling in its results. More conservative changes are being made in a year than would perhaps have been made in fifty years had it not been for this great migration from the East. Mme. Chiang Kai Shek rightly says: "Here our country will make up for more than it has lost, for we shall build faster and surer upon the foundations already laid, and erect the edifice of a rejuvenated nation -- a new, strong, and robust China."

That is not an idle boast; with the enormous resources of these western provinces, in manpower, in mineral and agricultural wealth, now stimulated by trained and devoted minds, China can continue to progress while at the same time sending fresh divisions of soldiers to harass the Japanese in guerilla warfare until the latter are exhausted. In these three provinces alone there is an area more than twice that of all Germany and a population of something like eighty-five million people -- a people that are industrious, hardy, inured to hardships, loyal.

It took me just over a month to get here from Hongkong, for instead of taking the 'plane, which would have made the entire trip in seven hours, I came overland, for I wanted particularly to see Kunming and Kweiyang, the two southwestern provincial capitals. Two days by Dutch ship brought me first to Haiphong where I had to spend an entire day getting my few things through the French Customs. Here, too, were some 1200 American trucks awaiting final permission from Paris to leave for China -- trucks so urgently needed on these new West-China roads. Fortunately the necessary permission came through while I was there. Another day or two in Hanoi, the capital of Indo-China, where I ran into a number of old friends, including Dr. Robertson and Mr. Taylor of the League of Nations, and dined with Dr. T. C. Tai of the Bank of China; then three days on the narrow-gauge railway, through spectacular scenery, and I was in Kunming. This was my first introduction to "free" China--and I was profoundly impressed by what I saw.

Even more than Szechuan had the province of Yunnan been considered remote and backward. But today it is going forward by leaps and bounds. I found perhaps fifty of my old friends in Kunming, most of them "refugees", but most of them were doing things. One of them showed me his new cotton mill, the only one in the province, a model in every respect. The workers were better housed than most university students and worked in eight hour shifts instead of twelve. Soon the mill was to be increased eight-fold for its present output could supply only an eighth of the demands of the province. Another friend was head of the health administration and with his staff rapidly laying plans for conquering malaria which is such a scourge in certain parts of Yunnan. Then there were the engineers.

On New Year's Day, just before my arrival, they had broken ground for

EXTRA BULLETIN 4/10/39

-3-

two new railways, one to the north to connect with the Chungking-Chengtu Railway, another to Lashio, 700 miles to the west in Burma, both railways to be completed within two or two and a half years in spite of the very mountainous regions they traverse. And these, by the way, are only two out of seven important railways which China is building at this time. Then there were the motor roads--a new one shortly to be completed to Chungking which will cut the present distance between these two cities by half. Even before I left twenty Russian trucks, driven by sturdy, sheepskin coated north-westerners, arrived over this road, having come something like 2,000 miles from Lanchow, China's northwestern "back door", to get military supplies. It seemed incredible, but there they were, all lined up in front of the Y.M.C.A. I talked with some of the drivers--the trip had taken thirty days but they had come through without an accident.

Other roads were also pushing out, and of course there was that famed road to Burma over which our Ambassador recently traveled and more recently Bishop Ralph Ward on his return from Madras to Chengtu. Its 720 miles, much of it through exceedingly difficult terrain, was completed in six months, an engineering triumph. Even while I was there an English commercial traveler blew in from Rangoon in an ordinary taxicab-- "The Paris Taxi Co., 'Phone 459", it was labeled. It caused quite a sensation on the streets of Kunming! The Central Aircraft Co. (Curtis-Wright) too, were moving their factory and staff of four hundred by trucks over this same road to the Burma border where they would be safer from air attacks than they were in Kunming, and before long it was expected that a large fleet of British trucks would start transporting cargoes over this same road. And just before I left it was reported that Imperial Airways would soon make Kunming a port of call. Then there were the four silk experts I met; they had brought ten thousand mulberry seedlings from Chekiang and planted them (anything will grow on that wonderful plateau) and in a couple of years were expecting to produce the best grades of silk in sufficient quantities to capture the very important Burma and India trade from Japan.

In Kweiyand, capital of the neighboring province of Kweichow to the east, which took me three days through magnificent scenery to reach, traveling by a hospital truck, I found the same spirit. The province is much poorer than Yunnan, however, so not as much progress had been made as yet; but I found the Governor, Wu Ting Ch'ang, former Minister of Industry, full of enthusiasm for his work, as were also his deputy, Dr. Y. T. Tsur, who is an old friend of mine (we dined together frequently while I was there and talked late into the night), and the various Commissioners. Dr. James Shen, head of what was, with the exception of P.U.M.C., the finest hospital in China, Central Hospital of Nanking, had re-established himself and his staff here with nothing but the most primitive sort of equipment but was working wonders with what he had and what his ingenuity invented.

At the National Health Administration they proudly showed me the salt they had made chemically pure from the coarse Szechuan product which they had used in the recent cholera epidemic; and they were using bear oil in their incubators as imported kerosene was too expensive. In the National Medical College and also in Yale-in-China, they were using all sorts of improvised devices and students were working on tables which in many instances consisted of the rough boxes in which some of their equipment had been shipped when they fled from the East. But I never saw a keener bunch of students anywhere. And at no time, since this war began, have I heard a single word of complaint from anyone.

In the midst of all this change and progress, the pervading spirit of optimism and go-ahead, it seemed absurd to think that Japan could possibly subdue China. This spirit was unbeatable; China could never be conquered. And yet....if America continues her present assistance to Japan by selling her the high-test gasoline she must have for her bombers and pursuits, the scrapiron for her shells and deadly shrapnel the copper for her cartridges, and all the rest of it, why shouldn't the same thing happen to Kunming, to Chungking, to Kweiyang and all these other fair cities in new unoccupied China, that happened to Nanking and Canton and Hankow? Even now they are within bombing range, they have already received their baptism of death and destruction from the air -- brave, hopeful Kweiyang just shortly after I left it. It burns one up to hear of the merciless bombing of a city like that when it is making such a heroic struggle to get ahead, especially when you have just spent a week or so there and have a personal affection for many of those who are pioneering the work.

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

EXTRA BULLETIN 4/10/39

-4-

I have just sent a cable addressed to President Roosevelt, Secretary Hull, and others saying that the American community here is deeply concerned over this continued bombing of defenceless cities: "In recent raids on Kweiyang and Wanhsien hundreds of innocent civilians burned to death through the use of incendiary bombs, women and children machine-gunned, one-third of the business districts wiped out, death and suffering appalling. Continued sale to Japan of American gasoline, scrap iron, etc., facilitates these outrages, making us a virtual partner in Japan's crimes on China. In the name of humanity and world peace we appeal for immediate action prohibiting this traffic

Here in Chungking we feel pretty safe, for we are protected by an almost perpetual haze that hangs like a pall over the city, and while there aren't yet sufficient shelters to protect the entire population, there are many deep caves that have been blasted out of the solid rock on which the city stands and in addition the Government is spending some four hundred thousand dollars (Chinese currency) on a subway which ultimately should provide room for all. Anyway, it will take more than the destruction of cities to kill the spirit of these people. They are determined to carry on to the very last; any compromise would mean literal enslavement to Japan. They have the example of Korea to show them what submission would mean; and if Washington was able to win out four years after Valley Forge, why should not they, they say, even if it takes ten years, -- or a hundred.

In the meantime, though, is America going to continue her "partnership" with Japan? I pray God, No! I hope every friend of China in America has written his Senators and Representative letting them know where he stands on this issue and that organizations are continuing to send their resolutions to the President and State Department. I was convinced from my visits to Washington that we would get no action until we let our voices be heard in sufficient numbers. The present situation is intolerable to all true patriots. America is in grave danger of losing its soul in its misdirected desire to be neutral. And what shall it profit a nation if it save its life and lose its soul!

I wish I had time to tell of my very interesting conversations with the Generalissimo and Mme. Chiang Kai Shek at dinner with them a couple of nights ago, also with Dr. H. H. Kung at a luncheon he gave me, with Dr. Wang Chung-hui, Minister of Foreign Affairs, and others; but I must save that for the next time.

/s/ GEORGE A. FITCH.

The following interesting letter was received, April 7, from our fellow-member, George Parker:

"I wish to advise that I am leaving the States today bound for British India where I expect to be situated for some time.

"I therefore would appreciate your noting my change of address for the benefit of receiving the "Tiffin Club" notices and also for publication in the next Bulletin. New Address: c/o National City Bank, Bombay, India. This is a forwarding address which will serve to reach us during our travels thru that part of the world.

"I am going out as the sales representative for a number of American manufacturers, mainly in the interest of the Eagle Pencil Company of New York and London.

"Regret not being able to attend next week's tiffin for I would have enjoyed one more opportunity to say cheerio.

"Will look forward with interest any news of the organization's activities and extend my best wishes for its continued success.

"With best personal regards and my greetings to all,

"Very sincerely yours,

"/s/ G. A. Parker."

0912

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

April 15, 1939.

Dear Doctor Hume:

I have received your letter of April 12, 1939,
and I appreciate your courtesy in sending me the copy
of the Bulletin of the Shanghai Tiffin Club of New York.
I have found very interesting indeed Mrs. Fitch's
letter and the enclosure thereto which appear in the
Bulletin.

Yours sincerely,

Stanley H. Hirsch

Edward H. Hume, M.D.,
Director, Christian Medical
Council for Overseas Work,
156 Fifth Avenue,
New York, New York.

CR

APR 17 1939

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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

AC

GRAY

APR 19 1939

Tokyo

FROM Dated April 19, 1939

Rec'd 6:45 a.m.

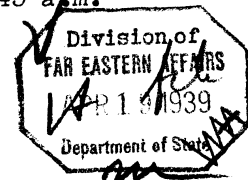
Secretary of State

Washington

185, April 19, 3 p.m.

One. The ASAHI states this morning in a feature article that its American correspondent has telegraphed that the President has under consideration the sending to the Japanese Government of a message similar to that sent to the German Government and that the Department has the project under study. It is conjectured that the approach to Japan was withheld owing to the visit of the ASTORIA and that it may be made after the departure of that vessel. It is further stated in the article that it is the opinion of the Japanese Government that the observations in President's message to Germany and Italy were intended to apply also to the situation in the Far East. The article then discusses various points including a probable Anglo-American understanding with regard to the disposition of naval forces, conditions in Europe, et cetera; it anticipates that Germany and Italy will return a negative reply to the United States and that Japan would, if similarly approached, take the same position.

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



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

AC - 2 - #185, April 19, 3 p.m., from Tokyo

position.

Two. I understand that the Foreign Office today informed the foreign correspondents that the ASAHI story was regarded as a piece of "journalistic imagination". The Foreign Office spokesman also stated that the Japanese Government regards the forthcoming return of the American fleet maneuvers to the Pacific as a routine movement and views it with unconcern.

GREW

KLP

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

PREPARING OFFICE
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Department of State

Washington,

"Gray"

1939 APR 19 PM 5 43

April 19, 1939.

AMEMBASSY, DIVISION OF
 TOKYO (Japan) COMMUNICATIONS
 RECORDS

101 Your 185, April 19, 3 p.m.

✓ New York Times of April 19 carried an account of the
Asahi article.

The Secretary in reply to a question at his press
 conference in regard to the report said that he had nothing
 on the subject. Secretary Early at the White House when
 asked about the report said that he could not comment
 officially on the Japanese press story which so far as he
 knew had no official foundation.

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793.94/14907

APR 19 1939 PM

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Enciphered by _____

Sent by operator _____ M., _____, 19 _____

D. O. R.—No. 50

1-1462 U. S. GOVERNMENT PRINTING OFFICE

F/FG

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

DOCUMENT FILE

NOTE

SEE 894.00/852 FOR despatch # -

FROM Osaka (Makinson) DATED Mar.15, 1939.
TO NAME 1-1127

REGARDING: Japanese war trends in China.
Report concerning -, as observed
in Kwansai.

aa

793.94/ 14908

14908

DECLASSIFIED: E.O. 11652, 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

REB

This telegram must be
closely paraphrased be-
fore being communicated **FROM**
to anyone. (A)

CHUNGKING VIA N.R.

Dated April 19, 1939

Rec'd 1:30 p. m.

Secretary of State,

Washington.

274, April 19, 9 a. m.

CONFIDENTIAL.

One. McHugh reports that he learned very con-
fidentially from Chiang's emissary himself that when
the British Ambassador passed through Hong Kong on
April 8th he was handed a memorandum which informant
had just brought down from Chungking and which con-
tained the following proposals from Chiang Kai Shek:

(One) that constructive peace is indivisible
between Europe and China, id est, it cannot come to
one area until it is achieved in the other; (two) that
if Japan should make a proposal that Great Britain and
France should recognize and cooperate with Japan's
position in North China in exchange for a promise from
Japan not to join a Rome-Berlin military alliance or
attack Hong Kong or Indo-China, Great Britain and France
should disregard such a proposal; (three) that because

Great

793.94/14909

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

15534

CORRECTED PAGE

773.94/14909

AC - 2 - #274, April 19, 9 a.m., from Chungking

Great Britain and France would not be able to spare troops or ships to defend their interests in the Far East, China would be willing to supply both troops and labor corps in return for arms and munitions; (four) Generalissimo hopes therefore that collective security will be extended to the Far East and suggested that conversations be started for a mutual assistance pact between Great Britain and France; (five) he feels that the advantages of such an arrangement would be (a) to have a deterring effect on Japan prior to the outbreak of hostilities in respect to acts of aggression against Hong Kong or Indo-China and (b) that it would also deter Japan even after the

(END SECTION ONE)

PECK

CSB

15535

REB

See 2-#274, From Chungking, Apr. 19, 9a.m.
Corrected
page 2

Great Britain and France would not be able to spare troops or ships to defend their interests in the Far East, China would be willing to supply both troops and labor corps in return for arms and munitions; (four) Generalissimo hopes therefore that collective security will be extended to the Far East and suggested that conversations be started for a mutual assistance pact between Great Britain and France; (five) he feels that the advantages of such an arrangement would be (a) to have a deterring effect on Japan *prior to outbreak of* ~~the post~~ *hostilities* ~~in~~ in respect to acts of aggression against Hong Kong or Indo-China and (b) that it would also deter Japan even after the

(END SECTION ONE)

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

REB

5536

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

TELEGRAM RECEIVED

CHUNGKING VIA N.R.

Dated April 19, 1939

FROM Rec'd 9:45 a. m.

Secretary of State,
Washington.

274, April 19, 9 a. m. (SECTION TWO)
outbreak of war from taking ~~it~~ *immediate action* in support of the
totalitarian powers.

Two. McHugh's informant stated that Clark-Kerr
offered little comment but expressed the view that such
a pact might tend to alarm the Japanese and undo the
efforts which the British tried to prevent within the
last few months to forestall Japanese signature to
a formal military alliance with Germany and Italy in
lieu of the existing anti-Comintern Pact.

Three. Although the informant agreed that the
foregoing suggested apprehension and distrust on the
part of Chiang of the future actions of Great Britain
and France, he stated that Chiang had appeared calm and
confident and had not clearly indicated the possession
of any immediate information to support such suspicion.

That despite present widespread rumors to the
effect that the British Ambassador to Japan came to
Shanghai

5537

REB

2-#274, From Chungking, Apr. 19, 9a.m.
(Sec. Two)

Shanghai to convey and discuss with his China colleague the peace terms for transmission by the latter to the Chinese Government, the above person stated that Clark-Kerr gave no indication of such a mission.

McHugh states that the British Ambassador informed him here last November and again reiterated to him in Shanghai in January that he intended to return to Chungking about this time as a routine ^{step} ~~step~~. On the latter occasion Clark-Kerr discussed at some length the change of attitude toward Japan which his Tokyo colleague had finally experienced last November plus the British efforts from ^{December onward} ~~(?) (?)~~ to stall off Japanese adherence to a military alliance. Any role as a special peace emissary at this time is therefore believed doubtful although he is very probably equipped with ample information on which to base informal discussion of the present Japanese attitude ^{with respect to} ~~to~~ a peace compromise.

Five. Similar rumors as to Madame Chiang Kai Shek's recent visit to Hong Kong are likewise doubted by McHugh who spent the last ten days with her and Donald there and returned with them on the 17th. They did not see Clark-Kerr when he passed through Hong Kong

nor

192

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

5538

REB

3-#274, From Chungking, Apr. 19, 9a.m.
(Sec. Two)

nor was the question of peace mentioned at any time.

Six. It is requested that the substance of the foregoing be made available to the Navy Department. Peiping please similarly convey to the Naval Attache and Shanghai to the Commander-in-Chief. Peiping repeat to Tokyo.

(END OF MESSAGE)

PECK

KLP

(*) Apparent omission

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

1539

CONFIDENTIAL

ConfidentialP A R A P H R A S E

A confidential telegram (no. 274) of April 19, 1939, from the American Embassy at Chungking reads substantially as follows:

The Assistant Naval Attaché (McHugh) regards as probably unfounded rumors to the effect that the recent visit of Madame Chiang Kai-shek at Hong Kong was connected with negotiations for peace. He passed the last ten days at Hong Kong with her and W. H. Donald, returning with them on April 17 to Chungking. The subject of peace was not once referred to and they did not meet the British Ambassador to China on the occasion of his passage through Hong Kong. Moreover, the Generalissimo's emissary (who met Ambassador Clark-Kerr at Hong Kong) himself told McHugh that notwithstanding the current widely prevalent stories to the effect that the British Ambassador to Japan had come to Shanghai for the purpose of conveying and discussing with Clark-Kerr the peace terms for transmission by Clark-Kerr to the Government of China, Clark-Kerr evidenced no sign of having such a mission. McHugh says that five months ago at Chungking and again at Shanghai three months ago, Ambassador Clark-Kerr told him of his intention to make a routine visit to Chungking about this time; and on the second occasion the Ambassador discussed

in

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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-

CONFIDENTIAL

in considerable detail the efforts made by Britain since December to keep Japan from adhering to a military alliance with Germany and Italy, as well as the change in attitude toward Japan which Ambassador Craigie had finally undergone in November 1938. Accordingly, while Clark-Kerr is most probably provided with information fully adequate to serve as a basis for an informal discussion of Japan's present position toward a peace compromise, it is doubted that he has at this time any role as a special emissary for peace.

The same informant told the Assistant Naval Attaché in strict confidence that when Clark-Kerr visited Hong Kong eleven days ago he was given a memorandum which the informant had just brought from Chungking and which embodied proposals from the Generalissimo to the effect that: (a) constructive peace for Europe and China is a single issue which is not susceptible of separation; (b) As France and Britain would be unable to spare vessels or armed forces to protect their Far Eastern interests, China, in exchange for munitions, would be prepared to furnish troops and also labor battalions; (c) Britain and France should ignore any proposal which Japan might make that Britain and France, in return for Japan's promise to refrain from adhering to a military alliance with Germany and Italy and from attacking Hong Kong and French Indochina, accord recognition
 of

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

-3-

of and cooperation with the position of Japan in north China; (d) accordingly, the Generalissimo hopes that collective security will be extended to include the Far East and suggests that discussions be commenced with a view to concluding a mutual assistance pact between Britain and France; (e) it is the Generalissimo's opinion that an arrangement of this nature would have the advantages of (1) exerting - prior to the outbreak of war - a restraining influence on Japan with regard to the taking of aggressive action against Indochina or Hong Kong and (2) also inducing Japan to refrain - even after hostilities started - from immediate action in the way of supporting Germany and Italy. According to the informant, Ambassador Clark-Kerr had little comment to offer in regard to the Generalissimo's proposals, expressing, however, his opinion that the proposed mutual assistance pact might serve to arouse Japan's anxiety and nullify the endeavors undertaken by Britain in recent months to forestall Japan's adherence to a formal military alliance with the totalitarian powers in place of the present pact directed against the Comintern.

According to the informant, the Generalissimo had seemed calm and confident and had given no clear indication that he had any immediate information to justify distrust and apprehension on his part of the future French and British

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

CONFIDENTIAL

-4-

British course of action, though, as the informant agreed,
it would seem suggested by the foregoing that he might
harbor such suspicion.

793.94/14909

egc.
FE:EGC:HJN
4/21

FE
new

TELEGRAM RECEIVED

JR

FROM

GRAY

Foochow via Peiping & N. R.

Dated April 17, 1939

Rec'd 4:30 a.m., 20th.

Secretary of State,
Washington.

April 17, 11 a.m.

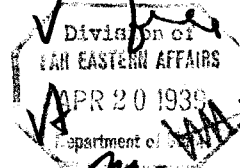
Local conditions quiet.

Japanese planes flew over Foochow yesterday and this morning without bombing. Coast in Lienkang region reported bombed and shelled yesterday. Only four Japanese warships now reported to be present.

Sent to Peiping, repeated to Chungking notably
check operations in naval code.

LOCKHART

KLP:GW



APR 21 1939
RECEIVED

F/FG

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

TELEGRAM RECEIVED

FROM

PAP

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

FOOCHOW VIA PEIPING AND N.R.

Dated April 18, 1939

Rec'd 4:30 a.m. April 20.

Secretary of State

Washington

April 18, 10 a.m.

paraphrase
COPIES SENT TO
O.N.I. AND M.I.D.
in confidence

Division of
Far Eastern Affairs

APR 20 1939

Department of State

793A4
Japanese naval launches continued disturbances at
Sharp Peak today commandeering two formerly Chinese merchant
vessels SS PROSPER of Norwegian registry and PIPINA Greek
along with Chinese crews. Bombing and machine gunning by
Japanese aircraft in the vicinity of the barrier.

His Majesty's Ship SCOUT remaining at Sharp Peak.

WARD

RR:DDM

793.94/14911

F/FG

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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 of April 18, 1939, from the American Consulate at Foochow reads substantially as follows:

H.M.S. SCOUT is remaining at Sharp Peak. Japanese airplanes are carrying on machine gunning and bombing operations near the barrier. Japanese naval launches are continuing disturbances at Sharp Peak where they commandeered two merchantmen which were formerly Chinese and their Chinese crews. These merchantmen were PIPINA of Greek registry and PROSPER of Norwegian registry.

793.94/14911

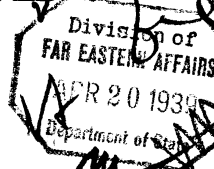
89C
FE:EGC:JPS
4-20

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

TELEGRAM RECEIVED

FROM



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

FOOCHOW

April 20, 1939

Rec'd 10:18 a.m.

ACTION: USS EDSALL

PASSED BY COMSOPAT TO CINCAF AND USS BULMER FOR INFO
PASSED BY CINCAF TO OPNAV FOR INFORMATION

0018. Launches from Jap warship have been causing
disturbances at Sharp Peak last two days. Yesterday they
burned four lighters. Today they took over two merchant
vessels PROSPER of Norwegian and PIPINA of Greek registry
commandeering crew of former. Aerial bombings along lower
river continued today. HMS SCOUT is remaining at Sharp
Peak. 2200.

CSB

793.94/14912

APR 25 1939
RECEIVED

F/FG

0931

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

PREPARING OFFICE
 WILL INDICATE WHETHER

Collect
 Charge Department
 OR
 Charge to
 \$

TELEGRAM SENT

Department of State

TO BE TRANSMITTED
 X CONFIDENTIAL CODE X
 NONCONFIDENTIAL CODE
 PARTIAL
 PLAIN

Washington,

"D"

April 19, 1939.

7 PM

AMEMBASSY,

PARIS (France).

This cable was sent in confidential Code.
 It should be carefully paraphrased before
 being communicated to anyone. D-1

STRICTLY CONFIDENTIAL FOR THE AMBASSADOR.

280

Your 765, 793.94/14901 / April 18, 1 p.m.

On April 15 the Chinese Ambassador here made an approach to the Department along the lines set forth in your telegram under reference. The Department finds helpful the comments and information communicated in your telegram.

793.94/14913

Hull
 S. N.

✓
 KJA GR
 APR 19 1939 PM

FE:MMH:EJL

FE
 m.m.w

U

F/WB

Enciphered by _____

Sent by operator _____ M., _____, 19 _____

D. C. R.—No. 50

1-1462 U. S. GOVERNMENT PRINTING OFFICE

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

DOCUMENT FILE

NOTE

SEE 890.00/139 FOR Memorandum
State Department
Far Eastern Division
FROM (Salisbury) DATED April 13, 1939.
TO NAME 1-1127 ***

REGARDING: Situation in the Far East: Sino-Japanese conflict.
Developments of past week, in summary.

FRG.

793.94/ 14913

14913

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

TELEGRAM RECEIVED

EG

GRAY

FROM

Hankow via N. R.

Dated April 20, 1939

Rec'd 7:45 a.m., April 21

Secretary of State,
Washington.

94, April 20, 4 p.m.

My 90, April 15, 1 p.m.

One. Japanese military movements northward continue.

The troops, estimated at a division or more, are said to be young conscripts from Japan. They are accompanied by much artillery and mechanized equipment. A large quantity of supplies is arriving and being shipped north.

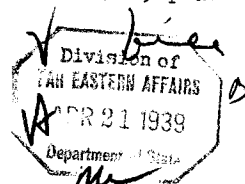
Two. The Chinese forces in Southern Honan and Northern Hupeh are reliably reported to be well equipped and exhibiting high morale. They have more than held their own against the Japanese heretofore hemming them. It remains to be seen how they will fight against the heavier arms being thrown against them.

Three. Japanese reinforcements, rumored to be the 20th division from South Shansi, are being sent to Yoyang, Hunan, presumably for a drive on Changsha to be coordinated with an offensive from Nanchang.

Repeated to Chungking, Peiping, Shanghai.

JARVIS

WWC:GW



793.94/14914

F/A
100-100000

143
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

~~JHP~~
~~WHL~~
~~JWE~~
~~REH~~
DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

May 12, 1939.

Batavia's despatch no. 188 of March 10 encloses a translation of an article written by a Dutch journalist in Tokyo for publication in a newspaper in Batavia. In it the writer likens the situation in the Far East to a poker game, in which France is getting pretty badly taken into camp by Japan. He states that France actually had no agreement with Japan re Hainan, but considered herself bound to what she regarded as a tacit understanding, which Japan disregarded when it suited her to do so.

RSW
FE:Ward:REK

0930

DECLASSIFIED: E.O. 11652, 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. 188.

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN CONSULATE GENERAL
Batavia, Java,
March 10, 1939.

SUBJECT: AFTER THE OCCUPATION OF HAINAN.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR:

I have the honor to transmit attached, as of possible interest to the Department, a copy of a translation into English of a letter sent by the Netherlands journalist, J. Fabius, from Tokyo, to be published in the Batavia newspaper, "Het Bataviaasch Nieuwsblad", which bore the above title.

Mr. Jan Fabius is well known to me personally from the days when I was in Tokyo. He is a journalist who has many unusual avenues of information whose accuracy is not always reliable.

Respectfully yours,

Erle R. Dickover

Erle R. Dickover,
American Consul General.

Enclosure:
Translation.

File No. 800
AHH/ltk.

Original and 4 copies to the Department.

793.94
not
873-24

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DEPARTMENT OF STATE
MAR 11 1939

AM 11 43
1939 APR 2

COPIES SENT TO
ONE AND M.I.D.

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ONE AND M.I.D.

Division of
FAR EASTERN AFFAIRS
APR 21 1939
Department of State

793.94/14915

F/WB

ASSISTANT SECRETARY
OF STATE

DEPARTMENT OF STATE

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

Translation.

BATAVIAASCH NIEUWSBLAD. Wednesday, March 8, 1939.

AFTER THE OCCUPATION OF HAINAN.

An unbelievable French blunder.

The Japanese are playing masterly poker.

Letter from Tokio by J. Fabius.

February 14, 1939.

Up to the present time the French have always emphasized that the transportation of munitions along the Haiphong - Yunnan railway had been forbidden on the basis of an agreement with Japan. This agreement was said to contain as a counter provision the assurance of Japan that it would not occupy Hainan.

It was quite remarkable, however, that the Japanese never mentioned any such agreement and spoke only of a freewill offer of the French to stop the transportation of munitions. The powerful official and semi-official campaign against the so-called bad faith of the French, who, according to the Japanese, were allowing such transportation with open eyes in spite of everything, appeared, however, to contain something of the French asseveration concealed in it, since it was obvious that Japan was priming itself to free itself from its obligation not to occupy Hainan on the grounds of French perfidy in regard to some agreement or other. Last week the French ambassador let slip that an agreement had actually been signed in October, 1937.

I have now learned from absolutely reliable sources that in fact there never was any such agreement at all, however unbelievable it may sound for me to say so. The French committed the egregious blunder of entering into a one-sided agreement not to allow munitions to be transported over their railroads without extracting from the Japanese any counter-promises or agreements whatsoever! In other words, the whole matter from the Japanese side was nothing more than a "gentleman's agreement" and the statement of the Gaimusho made on October 28, 1938, was entirely in agreement with the facts.

It is and remains a riddle how the authorities in Paris could ever have been so crassly stupid. Little wonder, then, that this "agreement" caused a violent dispute between the Quai d'Orsay and the Governor General of Indo-China. Rightly the authorities in Indo-China accuse their diplomats in Paris of having thrown away their strongest card; and now they are tearing out their hair puzzling how to carry on.

The protest of both French and British Ambassadors was, as might have been expected, emphatically rejected

by

DECLASSIFIED: E.O. 11652, 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 -

by Arita, who asserted that the occupation took place for purely military reasons and that no one in Tokyo thought for an instant that the Japanese would remain there indefinitely.

This called down upon his shoulders the anathemas of the military organ, the Kokumin, which called it an evidence of weak diplomacy, since the army had not the least intention of ever recalling the troops that were occupying the island and, on the contrary, intended to reinforce them.

The Asahi also uttered practically the same words. But in my opinion all that denial was quite unnecessary because the efforts to form a new Government in the island at once, the request submitted by the people there in which Japan was entreated to protect them from the Kuomintang, the immediate appearance of an anti-communistic newspaper there, all point out clearly enough the intentions of the occupying forces.

The game is being played with great virtuosity, although the long delay in carrying out the plan indicated that the authorities were not certain as to the advisability of the step. The British might conceivably have been awakened out of their stupor by the act. That danger is now, however, past; they did nothing at all but weakly protest, and telegrams from London indicate that England feels but little enthusiasm for a naval demonstration, since Hainan is Chinese and there were no English interests established there. That Hong Kong is threatened in both a military and economic sense appears to be no longer any concern of England!

No sooner had it appeared certain that neither France nor England had any intention of doing anything about it at all than there appeared in the Japan Times a leader showing the Italian right to occupy Tunis. This, added to the fact that both Italy and Germany had been informed beforehand of the Japanese intention to occupy Hainan, leads many to believe that the act was done in full realization of the state of affairs in Europe and that it has a close relationship to what is going on there.

In a previous letter we have already hinted at all this; at that time we were unable to speak more clearly, since we had been given the information that Japan was about to occupy Hainan under the seal of confidence.

Italy will now watch with interest what France and England will do. If England remains cool and calm or fails to support France in its actions, Mussolini will draw his own conclusion and will, perhaps, take more active steps in the Mediterranean.

Others believe that this is merely an oriental diversion; an effort to tie France up in the Orient, perhaps to induce her to despatch part of her fleet to defend Indo-China, leaving the field clear for Mussolini.

Those

DECLASSIFIED: E.O. 11652, 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 -

Those who argue thus fail to understand that the whole play is a great game of bluff -- political and diplomatic poker. Any one who has ever played that noble game knows quite well that it doesn't matter what cards you hold in your hand if only you put up a good bid with a straight face and an assured manner. Up to now the Japanese have been playing magnificent poker. The poker playing reader will understand that the person with the weakest cards can win every pot if he only has the biggest bluff and takes excellent care never to allow himself to be "seen" by another player. As soon as they were certain that their opponents had no good cards in their hands at all, the Japanese with a friendly smile called "I'll see you" and then the French realized what a good card they had thrown away in 1937.

All this time the Japanese left the whole world in the false understanding that they had indeed closed an agreement with the French in 1937 concerning Hainan. Tokyo never said in so many words, "We have agreed not to occupy Hainan", they merely let it be assumed from the things they did say and from the way in which they said them. Paris, on the other hand, soon enough realized what a howler had been made and did not dare, partly for domestic political reasons, ever to say anything openly about it. They held onto their cards and went on bidding hoping for the best. What they had done was to draw to a four card heart flush and get a diamond -- it looked red and fine until they came to examine it a little more closely! But you can't four-flush the Japanese.

The French have thus lost the first pot and lost badly. We are now all watching for the next round of cards. Dare the French now reopen the Yunnan railway for the transportation of munitions? Dare they in that case wave aside a Japanese protest as the Japanese waved theirs aside? Dare the English show that they are in this matter on the side of the French? Dare they dispatch a couple of cruisers to the East to support the French action there? If they do, Japan will merely reiterate that her occupation of Hainan is only temporary and Mussolini will moderate his demands in Tunis and Corsica. Everything depends now on whether those in London and Paris have the backbone in them to do something instead of merely babbling platitudes at conferences.

In any case, it will be more and more essential as time goes on to connect up closely events in the East with the situation in Europe. The British are already bitterly regretting having refused the Italian suggestion in 1937 of forming a United European front in the Far East.

Meanwhile, everyone is anxiously discussing the possibility of the entente between Japan and the totalitarian states developing into an offensive and defensive military treaty. The fact that the German and Italian Ambassadors always visit the Department of Foreign Affairs together is, of course, being openly discussed here. It is rumored

that

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

- 4 -

that the military clique here has been urging such an alliance, but that the authorities in Berlin and Rome prefer to watch and wait a little longer.

Translated by Dr. A. H. Hamilton, American Clerk,
American Consulate General, Batavia.

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

CA

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

FROM SWATOW VIA N R

Dated April 21, 1939

Secretary of State
Washington

REC'D 7:35 p.m. Division of
FAR EASTERN AFFAIRS
APR 22 1939
Department of State
Ch B
in conf. done 27

5, April 21, 4 p.m.

General Hia Ching Chung, garrison commander for (A)

Kwangtung Province recently appointed by Chiang Kai Shek has ordered the following: the immediate evacuation to interior points of safety of all persons over sixty, children under fifteen, and all sick and unemployed; the destruction of all highways into Swatow; removing factory equipment and all schools to inland places; all able-bodied Chinese to be prepared to bear arms if necessary. The Mayor told me yesterday afternoon that this is purely a precautionary measure not based on the belief in an early Japanese attack but merely to remove non-essential people and industries to the hinterland with as little hardship as possible; the electric plant, water works, and any activities essential to the proper functioning of the city will not be disturbed nor will every highway be destroyed. I do not believe that the linen industry or any other American interests will be affected to any extent by these orders. It is estimated that probably 17,000 will remain in the city. Repeated to Peiping, Chungking.

YOUNG

EMB NPL

773.94
WB
10/1/39
repeated to
verify

793.94/14916

F/FG

0941

DECLASSIFIED: E.O. 11652, 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. 5) of April 21, 1939, from the American Consul at Swatow reads substantially as follows:

The destruction of all highways into Swatow and the removal immediately to safe points in the interior of all children under fifteen, all sick and unemployed persons and all persons more than sixty years old have been ordered by the garrison commander for (Eastern?) Kwangtung Province (General Hia Ching-chung) who was appointed a short time ago by General Chiang Kai-shek. General Hia has ordered also that all able-bodied Chinese be ready to bear arms if necessary and that all schools and factory equipment be moved to points in the interior. Estimates are that 17,000 persons are likely to stay in the city. The Consul is of the opinion that these orders will not greatly affect any American interests, including the linen industry. On April 20 the Consul was informed by the Mayor of Swatow that General Hia's orders were not based on a belief that the Japanese would attack in a short time but were entirely precautionary measures and designed only to remove to the interior with as little injury as possible the non-essential industries and people. Every highway will not be destroyed nor will any activities, such as the waterworks and electric plant, which are essential to the proper functioning of the city be disturbed.

793.94/14916
 FE:EQO:HNJN 4/24

HCP
 FE Remy

794

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

TELEGRAM RECEIVED

CJ

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

Foochow via NR

Dated April 21, 1939

Received 3:03 p.m.

Secretary of State,

Washington.

April 21, 10 p.m.

Visiting officers of Edsall left Foochow 7 a.m.

intending to sail at noon but standing by.

THREE SEVERE air raids here today with sporadic
machine gunning. Casualties about sixty. No American
property reported damaged. Customs godowns bombed, damage
estimated at ^{YUAN} (A) 300,000 by a Commissioner of Customs.

Bombings cut off electric current.

Skeleton government is moving to Yenping before
April 25.

The Japanese seem determined to stop all shipping
and intimidate this port.

Rumors are current that Formosans in Foochow have been
organized to terrorize foreigners, especially the British,
in case a Japanese invasion.

Sent to Peiping, repeated to Shanghai and Chungking.

ROWE

KLP

793.94/14917

F/FG

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ONLY IN CONFIDENCE

Division of
FAR EASTERN AFFAIRS
APR 22 1939
Department of State

793.94
WB
7/6/39

094

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

Confidential

CONFIDENTIAL

P A R A P H R A S E

A telegram of April 21, 1939, from the American Consulate at Foochow reads substantially as follows:

It appears that the Japanese are determined to intimidate Foochow and to stop all shipping. On April 21 there were three severe air raids on Foochow with scattered machine gunning resulting in approximately sixty casualties. There was no damage to American property reported. The Commissioner of Customs estimated the damage to customs godowns which were bombed at (?)300,000. The electric current was cut off by the bombings.

The Formosans in Foochow have been organized to terrorize foreigners, especially the British, if there is an invasion by the Japanese, according to current rumors. Before April 25 the skeleton government is removing to Yenping. The Edsall is standing by although its visiting officers intending to sail at noon left Foochow at seven a.m.

793.94/14917

29C
FE:EGC:HJN
4/22

HCP
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

FS **TELEGRAM RECEIVED**

This telegram must be Tsingtao via N. R.
 closely paraphrased before being communicated
 to anyone. (Br) Dated April 22, 1939

FROM Rec'd 5:47 p.m.

Secretary of State, *if paraphrase* Division of
 Washington. *COPIES SENT TO* FAR EASTERN AFFAIRS
O.N.I. AND M.I.D. APR 24 1939
in confidence *m file*
 85, April 22, noon.

793.94

Information from Americans arriving in Tsingtao

from Kaifeng this week indicates fighting which occurred
 two weeks ago at Kaifeng of scant if any importance.
 Travelers made rail journey from Kaifeng to Hsueh in
 12 hours and connected with night train to Tsinan.

Two. Japanese are building railway from Kaifeng
 to Sinsiang and also reported to be building railway
 from Kaifeng to Hsueh thus providing through
 communication on Peiping-Hankow line through Kaifeng.

Sent to Chungking, Peiping; by mail to Tokyo.

KLP

SOUTHARD

793.94/14918

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 (no. 86) of April 23, 1939, from the American Consulate at Tsingtao reads substantially as follows:

A railway is being constructed to Sinsiang from Kaifeng by the Japanese who are reported also to be building a line to Hanchang from Kaifeng. Through communication is thus provided on the Peiping-Hankow Railway through Kaifeng. The fighting which took place at Kaifeng the first week in April was of little if any importance. The above information was received from Americans who just recently arrived in Tsingtao from Kaifeng. These Americans made the trip in twelve hours from Kaifeng to Hanchow by train, connecting with the night train to Tsinan.

723.94/14918

290.
 FE:Christenson:HES
 4-24

XX
 FE
 [Signature]

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

5540

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 25, 1939.

Chungking's 282, April 22, 9 am., states inter alia that the Chinese Minister for Foreign Affairs asked Mr. Peck to let him have the earliest important information he might receive (1) in regard to the possibility of China's receiving some mark of sympathy and approbation, official or semi-official, on the part of the United States in the event that China joins the bloc of nations comprising Great Britain and the Soviet Union linked in a non-aggression understanding and (2) in regard to such neutrality legislation as might be enacted in the United States.

The telegram would appear to call for no action by the Department at the present time.

793.94/14919

Jm
 FE:Ballantine:HES

793.94/14919

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

TELEGRAM RECEIVED

JR

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

Chungking via N. R.

Dated April 22, 1939

Rec'd 8 a.m.

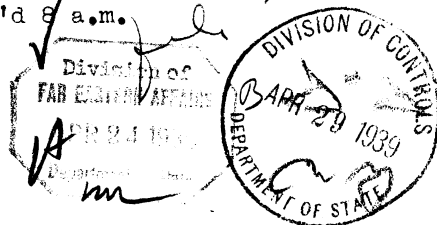
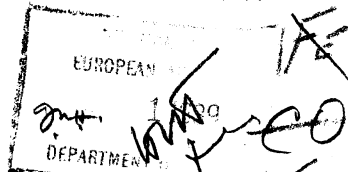
Secretary of State,
Washington.

282, April 22, 9 a.m.

On April 20, the Chinese Minister for Foreign

Affairs inquired of me on the telephone whether I had any information concerning the news reports from Tokyo that the President might cause a note to be addressed to the Japanese Government in the general sense of the communications addressed to Germany and Italy one week ago. The Minister said he would be glad to talk with me on the subject. During our conversation on April 21 the Minister said that since his inquiry he had received a report of the recent interview of the Chinese Ambassador with the President which answered his question. He said that the President had observed that the news resume in question (to retranslate the Chinese phrase employed by the Ambassador in his report) had been "fabricated with a purpose" and that the President had added the comment that his approaches to Hitler and Mussolini ^{might be rebuffed} ~~possessed~~ and

that



793.94/14919

F/EG

94

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

5542

-2- #282, April 22, 9 a.m., from Chungking.

that there might be war in Europe but that even in this event China might regard the future with some optimism because a war would impel Japan to mobilize large forces against Russia and if general peace discussions took place Japan would no doubt want to be included.

The Minister said he thought there was a growing *desire*
~~to~~ in Japan for.

(END SECTION ONE)

PECK

EMB:ROW

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

5543

TELEGRAM RECEIVED

JR

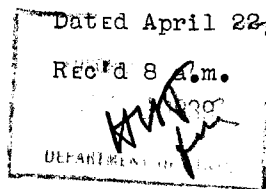
This telegram must be
closely paraphrased be-
fore being communicated
to anyone. (A)

FROM Chungking via N. R.

Dated April 22, 1939

Rec'd 8 a.m.

Secretary of State,
Washington.



282, April 22, 9 a.m. (SECTION TWO).

termination of hostilities if a way could be found
to accomplish this without loss of prestige such as
through the intermediation of third powers. China,
of course, would not sue for peace but he recalled
the fact that China had more than once broached the
summoning of an arbitration on Far Eastern matters.
The Minister mentioned the fact that Japanese news
despatches had expanded on the interpellation in
Parliament which resulted in the statement of the Prime
Minister that the British Government would keep in
mind the possibility of extending the "non aggression
movement" to the Far East. He thought this another
indication that there is in Japan a growing desire for
peace.

The Minister informed me that the Chinese
Government had recently suggested to the British
Government that China be included in the bloc of nations
invited

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

544

-2- #282, April 22, 9 a.m. (SECTION TWO) from Chungking.

invited to join the non aggression understanding but had indicated that China could not do this unless Russia joined it and the ^{normal} ~~was~~ was awaiting the outcome of the discussions between Great Britain and Russia. He expressed the hope that if China joined this group of nations there would be some mark of sympathy and approbation, official or semi-official, on the part of the United States.

Reverting to the subject of the Chinese Ambassador's conversation with the President the Minister said that the Ambassador had expressed the hope of the Chinese Government that whatever neutrality legislation might be enacted would not be to the advantage of Japan and to the detriment of China and that the President had replied that he thoroughly understood the situation.

The Minister asked me to let him have the earliest important information I might receive in regard to either of the subjects he had discussed and I promised him I would.

In reply to a question he told me he had held an hour's conversation with the British Ambassador who arrived in Chungking on April 19 but they had not discussed any possible terms for ending the hostilities.

Sent to the Department. Repeated to Peiping.
 Latter mail to Tokyo. (END MESSAGE)

PECK

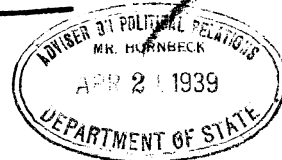
EMB:ROW

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

relm to ZK.

15545

(NOT FOR THE PRESS)
(FOR DEPARTMENTAL USE ONLY)



Department of State
Division of Current Information No. 77

MEMORANDUM OF THE PRESS CONFERENCE, WEDNESDAY, APRIL 19, 1939

JAPAN

At the press conference this afternoon, a correspondent enquired whether the Secretary could say anything about press reports from Tokyo to the effect that this Government is considering sending an appeal to the Japanese Government similar to the message addressed by President Roosevelt on April 14 to Chancellor Hitler and Premier Mussolini. The Secretary replied that he had nothing on the subject.

CHINA

A correspondent, noting that the Chinese Ambassador had called upon the President this morning, said that this was the second time in the last couple of weeks that the Chinese Ambassador had called at the White House and enquired whether there was anything special up with China at the moment. The Secretary replied that he did not know anything unusual in that connection.

PRESIDENT'S APPEAL TO HITLER AND MUSSOLINI

A correspondent enquired whether the Secretary had any further comment to make on the additional reaction from abroad to the President's appeal of April 14 to Chancellor Hitler and Premier Mussolini. The Secretary replied that he had not seen a great deal more than the correspondents had found in the press. Remarking that Chancellor Hitler had indicated he would make his answer on April 28, a correspondent enquired whether there was any indication from Rome when Premier Mussolini's reply would be forthcoming. The Secretary said he thought the Department had received nothing more than had appeared in the newspapers. Asked whether the Department had been officially notified that the German answer would be made on April 28, the Secretary said he had no recollection of receiving anything on the subject.

A correspondent said that the Hungarian Foreign Minister, visiting in Rome, was quoted as having said in an interview this morning that the President's appeal, so far as Hungary was concerned, was "an unwelcome surprise." Asked whether Hungary had made any similar statement to this Government, the Secretary said that he recalled nothing of that nature.

M. J. McDermott.

1939.04.14.719

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

*copy in paraphrase
sent to Treasury
in confidence
sent*

TELEGRAM RECEIVED

JR

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

Canton via N. R.

FROM

Dated April 23, 1939

Rec'd 12:40 p.m.

Secretary of State

Washington.

47, April 23, 7 p.m.

Information emanating from Japanese sources indicates

that the most severe fighting yet to take place in
Kwangtung has been occurring on the Tsungfa-tsengshing
front where five Chinese divisions are said to have been
engaging an unknown number of Japanese. Casualties on
both sides are said to have been heavy.

Reports of increased guerrilla activity close to
Canton have been received during the past week and
bombing has been heard. Very recent movements of
Japanese troops in the direction of Samshui tend to confirm
reports of increased Chinese pressure near there. Tension
and more rigorous treatment of Chinese civilians in Canton
by Japanese sentries has been observed and aircraft have
been active.

It is believed that Chinese military activities
with particular reference to above are primarily designed
to harass the limited Japanese forces in this region and
possibly also to divert Japanese attention from the West
River

paraphrase
COPIES SENT TO
D.N.I. AND M.I.D.
in confidence

793.94

793.94/14920

F/FG

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

-2- #47, April 23, 7 p.m., from Canton.

River delta. The prevailing rainy season handicaps
Japanese aircraft.

Repeated to Chungking, Peiping, Hong Kong.

MYERS

ROW

DECLASSIFIED: E.O. 11652, 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. 47) of April 23, 1939, from the American Consul General at Canton reads substantially as follows:

During the past week bombing has been heard and intensified guerrilla activity near Canton has been reported. Aircraft have been active. Tension and more severe treatment by Japanese sentries of civilian Chinese in Canton have been noted. Japanese aircraft are handicapped by the prevailing rainy season. Color is given to reports of greater Chinese pressure near Samshui by movements of Japanese troops in that direction very recently. According to information coming from Japanese sources there has been taking place on the Tsungfa-Tseng-shing front the most severe fighting which has yet taken place in Kwangtung Province. Five divisions of Chinese are reported to have been engaging an unknown number of Japanese troops on this front and both sides are reported to have suffered heavy casualties. To harry the limited Japanese troops in this area and maybe also to turn the attention of the Japanese from the delta of the West River is believed to be the primary object of Chinese military activities with special reference to the above.

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

DOCUMENT FILE

NOTE

SEE 756d.94/27 FOR Despatch #187

FROM Batavia (Dickover) DATED Mar. 10, 1939
TO NAME 1-1127 676

REGARDING: Japanese occupation of the little island of Hainan occasioned little comment in the Netherlands Indian press. Confidential memorandum indicating the Government's interest in the matter.

fp

793.94/14921

14921

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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

The Japanese Occupation of
Hainan.

The Japanese occupation of the island of Hainan occasioned little comment in the Netherlands Indian press, although there is plenty of evidence that the Government and the people of the Indies have not overlooked this extremely important step on the part of Japan. The Government's interest is indicated by the enclosed confidential memorandum, with accompanying map, drawn up by the Adviser on East Asiatic Affairs to the Netherlands Indian Government for the information of the Government. The memorandum is in the nature of a historical survey of the events leading up to the occupation of the island and an exposition of its strategic importance. While the Department undoubtedly possesses all of the information contained in the memorandum, the complete text, as translated by this office, is being transmitted, as indicative of the apprehension felt by this Government over the latest Japanese "southward advance" move.

As

- 8 -

As an indication of the popular interest in the Japanese occupation of Hainan there are enclosed two cartoons, one from the JAVA BODE of February 18, 1939, and one from the SIN PO (a Chinese-owned, Malay language newspaper) of March 4, 1939. The first represents Japan as an octopus, with tentacles stretching out over China, with one tentacle on Hainan and with another tentacle reaching out toward the Philippines. The second depicts Japan as an armed blue-jacket, striding along a line of stepping stones marked "Hainan", "Philippines", "Singapore", and "Indonesia", and casting a menacing shadow before him as he goes.

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

DEPARTMENT OF STATE
 ADVISER ON POLITICAL RELATIONS

PA/H

March 8, 1939.

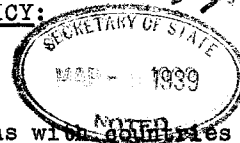
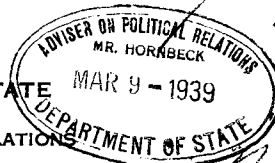
FAR EASTERN RELATIONS: POLICY:

A QUERY ON --

In the conducting of our relations with countries of the Far East, and especially with Japan, we are making our principal objective that of discouraging interference by Japan with American interests in China. In the field of action, we are constantly making representations to the Japanese authorities. In the course of so doing, we are in effect constantly pointing out to the Japanese how they might, while going ahead with their aggression against an attempted conquest of China, avoid encountering substantial opposition by and from the United States.

Query: Is it more important to this country that interference with American interests in China be temporarily prevented than that Japan's attempted conquest of China be not consummated? Are the injuries which the Japanese are doing or might do to American interests in China of more consequence to the United States than the disregard by Japan of her treaty pledges to this country and the violation by Japan of various and sundry basic principles in which this country believes? Is Japan's violation of

her



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- 2 -

451

her pledges with regard to the open door a greater offense against this country than Japan's violation of her pledge not to resort to war in pursuit of national policy?

Suppose that, for the time being, Japan listened to our remonstrances and took our advice that she refrain from interference with American interests in China; and suppose that Japan were to succeed in conquering China; would we not be confronted with this situation: first, Japan would have achieved her conquest ^{by + through violation of} ~~with violence to~~ certain of her pledges to us and violence to our principles, and, second and thereafter, Japan would, in conformity with her concept of the "new order in Asia", ^{thereafter} largely destroy such of our interests in China as had up to that time survived?

Ought we not, in the field of action, broaden the scope of and perhaps shift the emphasis of our policy? Ought we not concern ourselves more about the problem of seeing to it that Japan does not conquer China than ^{about} ~~to~~ discouraging interference by Japan with American interests in China?

Must we not, toward safeguarding both our interests in China and our interests in general, assert ourselves toward ensuring the continuance of Chinese sovereignty in China (as distinguished from acquisition by Japan of a substantive control over China and the Chinese)?

It

It has been a traditional policy of this country to contend for and contribute to the survival of China as an independent state ("integrity of China"); this country's policy in that respect has been coupled with [^] in fact was conceived as a supplement to and a means toward making good [^] our policy of contending for and giving support to the principle of equality of commercial opportunity ("open door") in and with regard to China. If we want equality of opportunity in China, we must have a China.

Both the principle and practice of the open door and the principle and practice of non-aggression (order with and under law) are at stake in the Japanese-Chinese conflict. It is not sufficient for us to contend for the open door. If China is conquered, we will have no open door.

It is easier to give assistance to China than to place obstacles directly in the way of Japan.

We have already given a certain amount of assistance to China. Ought we not be making it a definite part of our policy to add to the measure and the methods of assistance by this country to China?

The British Government is at this moment taking a new step toward assisting China (currency loan). This Government has given the British Government an assurance that

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

- 4 -

453

that we would study possibilities of action here with
 a hope that we would be able to take some new and
 parallel step in the same direction. Is not the moment
 at hand when, if at all possible, we should be taking
 some such step?

SKH
 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

*Copy in paraphrase
 sent to Treasury
 in confidence*

TELEGRAM RECEIVED

REB

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

FOOCHOW VIA N.R.

Dated April 24, 1939

Rec'd 12:45 p. m.

Secretary of State,
 Washington.

April 24, 4 p. m.

Foochow has been unmolested since bombings on

April 21 but Kienow was bombed April 22 and 23.

American losses from destruction of customs go-
 downs so far reported yuan 2500.

All remaining government authorities except police
 and tax bureau are moving to Yenping tomorrow but
 customs, postal and salt staffs are staying. As a
 result of representations by the British Consul and
 myself a representative of the Foreign Affairs Section
 will remain in Nantai.

All roads around Foochow are to be made impassable
 but launch service will be maintained with Yenping.

General Pai Tsung Hsi left Foochow 21st. While
 here he encouraged general exodus from Foochow which
 increases daily. He conferred with Generals Oh'eni
 and Ku Chu Tung at Kienyang April 19.

It

793.94/14923

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 note
 693.00

paraphrase
 SENT TO
 O.N.I. AND M.I.D.
in confidence

Division of
 FAR EASTERN AFFAIRS
 APR 25 1939
 Department of State

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096

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

REB

2-From Foochow, Apr. 24, 4p.m.

It is reported but not confirmed that within one week electric and telephone service will be discontinued, plants dismantled and equipment removed to the interior.

wpb
11/6/31

Admiral Li Shih Chia, in command of ^{Min River} ~~Minsky~~ fortifications, tells me that he believes that Japanese activity locally will be at present limited to destroying import trade and no (repeat no) land attack on Foochow is imminent.

A Japanese cruiser, two destroyers, and a transport are reported to have just arrived off Matsu Island.

USS EDSALL departed on April 23 and His Majesty's Ship SCOUT has been replaced by destroyer DELIGHT. Sent to Peiping, Chungking, Shanghai.

ROWE

CSB

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

(CONFIDENTIAL)

PARAPHRASE

A telegram of April 24, 1939, from the American Consulate at Foochow reads substantially as follows:

It is reported that two Japanese destroyers, a cruiser, and a transport have just arrived off Matsu Island. On April 23 the U.S.S. Edsall left. The British destroyer Delight has taken the place of H.M.S. Scout.

On April 21, General Pai Tsung-hsi left Foochow. On April 19, General Pai conferred at Kienyang with Generals Ku Chu-tung and Ch'eni. While in Foochow General Pai encouraged a general exodus from the city. This exodus increases each day. With the exception of the tax and police bureau all the Government authorities remaining in Foochow are moving to Yenping on April 25. However, the salt, postal and customs staffs are remaining in Foochow. A representative of the Foreign Affairs Section will stay in Nantai as a result of representations made by the American and British consular officers. Launch service with Yenping will be kept up but all the highways in the vicinity of Foochow are to be rendered impassable. There are unconfirmed reports to the effect that telephone and electric service will be stopped within a week and the plants taken down and the equipment moved to the hinterland.

On April 22 and 23 Kienow was bombed but since the bombings on April 21 Foochow has not been molested. American losses reported so far amount to yuan 2500 as a result

of

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

CONFIDENTIAL

- 2 -

of the destruction of customs godowns.

It is the opinion of Admiral Li Shih-chia (commanding
Minahy fortifications), as expressed to the American consular
officer, that no land attack on Foochow is imminent and that
at the present time Japanese activity at Foochow will be
limited to destroying import trade.

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new

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

TELEGRAM RECEIVED

FROM

PAP

FOOCHOW VIA N.R.

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

Dated April 25, 1939

Rec'd 8:45 a.m.

Secretary of State

Washington

April 25, 4 p.m.

Three aerial attacks today did more damage than
any previous raids on Foochow. Casualties so far
reported to be 170 including 40 ~~men~~ ^{dead}. Several bombs
dropped in the business section of Nantai on hotels,
apartments, shops, etc. and three large fires are still
burning. About 60 buildings demolished. Telephone
service off and no electric current.

Sent to Peiping. Repeated to Shanghai and Chung-
king.

ROWE

RR:WWC

(*) Apparent omission.

793.94/14924

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

Confidential

CONFIDENTIAL

P A R A P H R A S E

A telegram of April 25, 1939, from the American Consulate at Foochow reads substantially as follows:

Several bombs were dropped on shops, apartments, hotels, et cetera, in the business section of Nantai during the course of three air raids on April 25 which did more damage than any of the raids on Foochow in the past. Three large fires are burning still; there is no electric current and telephone service is out off; approximately sixty buildings were destroyed. So far there have been 170 casualties reported, including 40 dead.

793.94/14924

E.C.C.
FE:EGC:HJN 4/26

KH
FE *ms*

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END

