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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 28

1930-39

793.94/6841-7050
Jan.-June 1935



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

WASHINGTON: 1975

INTRODUCTION

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

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

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

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

NATIONAL ARCHIVES MICROFILM PUBLICATIONS

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

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

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

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

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

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

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

NATIONAL ARCHIVES MICROFILM PUBLICATIONS

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

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

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

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

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

NATIONAL ARCHIVES MICROFILM PUBLICATIONS

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

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

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

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

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

REP

TELEGRAM RECEIVED

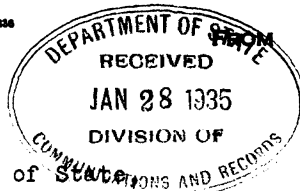
SPECIAL GRAY

Nanking via N. R.

Dated January 28, 1935

Rec'd 9:50 a. m.

1-1230



Secretary of State
Washington.

18, January 28, 3 p. m.

CONFIDENTIAL.

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

Division of
Far Eastern Affairs
JAN 28 1935

Department of State

One. On January 28, 11 a. m. I called on the Acting

Minister for Foreign Affairs in pursuance of a standing invitation from him and questioned him in regard to recent reports of Japanese diplomatic activities. In my January 25, 5 p. m. I transmitted a statement made by an official of the Ministry of Finance as recounted to me by an American newspaper correspondent. My January 26, 1 p. m. paragraph (1) was based on statement made by a member of the Central Political Council as recounted to me by a Chinese newspaper correspondent. My Harbin ^{January 28, 9 a. m.} reported informal statements by Madame Chiang. I

regret that the general result of these items is to leave it in doubt whether such steps have actually been taken by the Japanese to draw the two countries closer together but an explanation of apparent conflicts is

doubtless

793.94/6841

F.

REP

2-#18, From Nanking, Jan. 28, 3 p.m.

doubtless to be found in the practice of the Japanese army to bring pressure to bear in many forms and through many channels simultaneously. I shall continue to explore other sources of information.

Two. The Minister for Foreign Affairs denied that a proposal for an offensive and defensive alliance had been made to him either formally or informally or even a proposal for a non-aggression pact although he had received information that latter was under consideration by the Japanese Government.

Three. He said his Government is investigating in countries the possibility of making a large loan but he denied that any affirmative steps had been taken toward concluding a Japanese loan.

Four. He said that on many occasions the Japanese had pointed to the foreign advisers of many nationalities engaged by the Chinese Government and had not pressed for the employment of Japanese advisers civil and military to which the Chinese had replied that this must await restoration of friendly attitude to Chinese-Japanese relations.

Five. The Minister for Foreign Affairs said that Hirota had informed the Chinese Minister in Tokyo of his
desire

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

REP

3-#18, From Nanking, Jan. 28, 3 p.m.

desire to draw near China but the protectorate appeared to have been dropped.

Six. The interview ended with a cordial assurance from the Minister for Foreign Affairs that if any change occurred in Chinese-Japanese relations he would inform me.

PECK

CSB

(#) Apparent omission

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

REP

TELEGRAM RECEIVED

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

Peiping via N. R.

Dated January 28, 1935

Rec'd 9:35 a. m.

FROM

Secretary of State,
Washington.

DEPARTMENT OF STATE
RECEIVED
JAN 28 1935
DIVISION OF
COMMUNICATIONS AND RECORDS

Division of
ASIAN EASTERN AFFAIRS
JAN 28 1935

Department of State

40, January 28, 1 p. m.

Reference Peck's telegrams to Department numbers
12/13 and 14 of January 25, 5 p. m., January 26, noon,
and January 26, 1 p. m., trustworthy Chinese sources of
information at Peiping express conviction that Sino-
Japanese negotiations are now in progress but not yet
concluded for some sort of pact or understanding. One
of these sources states definitely that the proposals
included provisions for cooperation between China and
Japan, non-interference of third parties in Sino-Japanese
relations and in China's internal affairs, Chinese
territorial integrity, and a large loan from Japan to
China.

Two. There is a suggestion that movement of
Japanese naval vessels to South China is taking place
in preparation for any necessary intimidation of the
Southwest to suppress possible opposition to a Sino-
Japanese pact. Legation is taking special care to
verify this report.

Threa.

793.94/6842

FILED

JAN 30 1935

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

REP

2-#40, From Peiping, Jan. 28, 1 p.m.

Three. United Press report from Tokyo dated January 19 in Shanghai paper, which has just reached Legation, states that it is understood that "the Japanese Foreign Office is desirous, should a proper opportunity present itself, to conclude with China a treaty for preservation of territorial and administrative integrity".

Four. Peck reports in despatch 578 of January 24 to Legation that Suma of Japanese Legation at Nanking informed foreign newspaper correspondent January 23, following long conversations with Chiang Kai Shek and Huang Fu, that Suma was trying to persuade Chinese leaders to formulate a Chinese policy toward Japan, that China was destined to work with Japan, and that, if China delayed too long in adapting herself to the workings of fate, some regrettable incident between the two nations would automatically result.

The Legation will continue its efforts to obtain information on this subject.

Legation is informing Tokyo briefly by telegraph and mailing copies of Nanking's messages.

GAUSS

WSB

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

TELEGRAM SENT

PREPARING OFFICE
WILL INDICATE WHETHER

Collect
Charge Department
OR

Charge to

\$

793.94/6842

AMLEGATION,

note

123 P 33

PEIPING (China).

30 STRICTLY CONFIDENTIAL.

Your 40, January 28, 1 p.m. and previous, and Tokyo's
17, January 29, 6 p. m.

The Department commends Peck for his alertness. It is gratified by the promptitude with which the Legation and the Embassy have made available to the Department information and comment helpful toward making an estimate of current reports of Sino-Japanese negotiations and of possible future developments.

The Department confidently expects that officers in the field will continue attentively and unremittingly to follow events ~~and to~~ ^{and to} promptly report by telegraph materials which would be likely to clarify our knowledge of the existing situation and facilitate appreciation by us of potential developments, furnishing whenever possible interpretative comment. In the foregoing connection, ~~they~~ ^{all concerned} should view denials by interested parties with a reasonable degree of objective skepticism, ~~realizing~~ ^{assuming} that there may be desire by such parties either to prevent premature disclosure of facts or to put out

Enciphered by KP

Sent by operator M., 19 31

Index Bu.—No. 50.

U. S. GOVERNMENT PRINTING OFFICE: 1955 1-138

1-138

TO BE TRANSMITTED

✓CONFIDENTIAL CODE ✓

NONCONFIDENTIAL CODE

PLAIN

Department of State

DEPARTMENT OF STATE

Washington,

This cable is sent in confidential code. It should be carefully paraphrased before being communicated to anyone.

31 JAN 31 AM 10 58 January 31, 1935.

non

793.94/6842

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

1-138
PREPARING OFFICE
WILL INDICATE WHETHER

TELEGRAM SENT

1-138
TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PLAIN

Department of State

Collect
Charge Department
OR
Charge to
\$

Washington,

- 2 -

information in such manner as to promote the accomplishment of ends in view.

In association with nationals of China or Japan such officers should refrain from making expressions of opinion, and in association with other private nationals they should adopt an attitude of caution, exercising care ~~in all cases~~ not repeat not to subscribe to or cultivate any impression that the American Government is either indifferent to or ~~unusually~~ apprehensive over the possibilities and implications of developments in this situation.

Repeat to Nanking; repeat to Tokyo as Department's

Free

FE: *REK*

FE

CR

Enciphered by

Sent by operator

M.,

19

Index Bu.—No. 50.

U. S. GOVERNMENT PRINTING OFFICE: 1970 1-138

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

1-138
PREPARING OFFICE
WILL INDICATE WHETHER

Collect
Charge Department
OR

Charge to
\$

TELEGRAM SENT

Department of State
DEPARTMENT OF STATE

1-138
TO BE TRANSMITTED
☒ CONFIDENTIAL CODE
☐ NONCONFIDENTIAL CODE
PLAIN

Washington,

March 19, 1935.

This copy sent in confidential code.
It should be carefully paraphrased before
being communicated to anyone. S

793.94

AMLEGATION,

PEIPING (China).

82

Department's 30, January 31, noon.

793.94/6842

In regard to current developments in the rumored Sino-Japanese negotiations for a rapprochement, the Department appreciates and has found informative and helpful the reports, telegraphic and mail, which the Legation, the Embassy at Tokyo and consulates in China, particularly Nanking, have sent. These reports have for the most part described particular happenings or presented particular items of information.

In endeavoring to formulate an estimate of the actual situation, the Department needs the assistance of the field in that effort, especially when, as now, developments of far-reaching importance seem to be in process. To this end, the Department requests careful study and evaluation of available evidence, analysis and concise portrayal of the situation as a whole, and carefully thought out estimates of present and predictable trends, with reporting by telegraph and by mail. The Legation should assume primary responsibility for carrying out this instruction insofar as it relates to

793.94/6842

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

1-128
PREPARING OFFICE
WILL INDICATE WHETHER

Collect
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OR
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TELEGRAM SENT

1-128

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTAIR
PLAIN

Department of State

Washington,

- 2 -

developments in China and should carefully coordinate and
supervise the reporting work of consular officers in China
on this important subject,

Repeat to Embassy at Tokyo as Department's No. 43 }

Hull
W2

✓
MAR 19 1935PM

M. M. H.
FE:MMH:EJL

2nd
FE

Enciphered by _____

Sent by operator _____ M., _____, 19____

793.94/6842

CONFIDENTIAL - STAFF USE ONLY.

February 4 1935

No. 704

Ray Atherton, Esquire,

American Chargé d'Affaires ad interim,

London.

Sir:

There are enclosed for your confidential information copies of telegrams exchanged between the Department and American diplomatic and consular offices in China and in Japan in regard to reports that important negotiations are in progress between the Japanese and the Chinese authorities. The Department desires that these enclosures be read with care, particularly the Department's telegram No. 30¹⁶⁸⁴² of January 31, 1935, to the American Legation at Peiping, and that the Embassy follow attentively the press reaction in Great Britain and the reaction in both official and private circles to the reports under reference, keeping the Department promptly informed of developments.

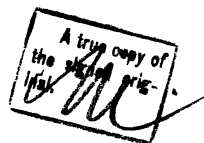
Very truly yours,

For the Secretary of State:

R. Walton Moore

Enclosures:

- From Peiping, telegram
No. 36, January 25, 5 p. m.;
- From Nanking, telegram
No. 12, January 25, 5 p. m.;
- From Nanking, telegrams
No. 13, January 26, noon; and
No. 14, January 26, 1 p. m.;
- From Nanking, telegrams
No. 16, January 28, 9 a. m.; and
No. 18, January 28, 3 p. m.;
- From Peiping, telegram
No. 40, January 28, 1 p. m.;



From

793.94/6842

DECLASSIFIED: E.O. 11652, 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 -

From Tokyo, telegram
No. 17, January 29, 6 p. m.;
From Peiping, telegram
No. 48, January 30, 2 p. m.;
From Nanking, telegram
No. 19, January 30, 3 p. m.;
From Nanking, telegram
No. 20, January 31, 2 p. m.;
To Peiping, paraphrase of telegram
No. 30, January 31, noon.

FE:MMH:REK
2/1/35

FEB 2 1935

FE

WE PM
2/2/35
amw

(STRICTLY CONFIDENTIAL)

P A R A P H R A S E

A strictly confidential telegram (No. 30) dated January 31, 1935, to the American Legation at Peiping (with instructions to repeat to Tokyo and Nanking), reads substantially as follows:

The promptitude with which the Legation in China and the Embassy in Japan have made available to the Department information in regard to reported Sino-Japanese negotiations and comment helpful toward making an estimate of the reports and of possible future developments is gratifying to the Department and the Consul General at Nanking is commended for his alertness. That officers in the field will continue to follow events unremittingly and attentively and will report by telegraph promptly materials likely to facilitate anticipation or understanding by us of developments and clarify our knowledge of the existing situation, supplying when possible interpretative comment, is confidently expected by the Department. In this connection it is suggested that denials by interested persons should be viewed by all concerned with a reasonable amount of objective skepticism on the assumption that such persons may wish to put out information in such a way as to promote the accomplishment of ends in view or to prevent premature disclosure of facts. Officers are advised to refrain from expressing opinions when associating with Chinese or Japanese nationals and to adopt an attitude of caution when associating with other private nationals, taking care not to

subscribe

DECLASSIFIED: E.O. 11652, 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 -

subscribe to or leave any impression that this Government
is either unduly apprehensive over the implications and
possibilities of developments in this situation or indiffer-
ent thereto.

FE:EGC

II-1-35

FE

m.m.A.

CH
FEB 2 1976

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

February 13 1935

No. 715

CONFIDENTIAL - STAFF USE ONLY.

Ray Atherton, Esquire,

American Chargé d'Affaires ad interim,

London.

Sir:

Referring to the Department's instruction No. 704 of February 4, 1935, there are enclosed for your confidential information copies and paraphrases of telegrams, as listed below, in regard to reports that negotiations are in progress between the Japanese and the Chinese authorities.

Very truly yours,

For the Secretary of State:

William Phillips

Enclosures:

793.94/6842

- From Peiping, telegram No. 57, February 2;
- From Peiping, telegram No. 58, February 2;
- From Hanking, telegram No. 21, February 2;
- From Tokyo, paraphrase of telegram No. 22, February 2;
- From Peiping, telegram No. 60, February 3;
- From Nanking, telegram No. 22, February 4;
- From Tokyo, paraphrase of telegram No. 23, February 4;
- From Peiping, telegram No. 64, February 6;
- From Peiping, telegram No. 66, February 7.



RECORDED
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29 C.
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document

793.94/6842

(CONFIDENTIAL)

P A R A P H R A S E

A telegram (No. 22) dated February 2, 1936, from the American Ambassador at Tokyo, reads substantially as follows:

Rumors of negotiations and proposals for new agreements between China and Japan continue to appear conspicuously in the press in spite of official assurances to the effect that no new instructions have been given to the Japanese Minister to China.

It seems probable, according to information available in Tokyo, that the basic difficulty may be of an economic rather than a political nature. The currency situation in Manchuria is causing the Japanese army much concern and trade with China has been upset by the recent rise in the price of silver. There are reports which the Embassy at Tokyo is unable to evaluate to the effect that, due to the hoarding of silver and its disappearance from circulation, the Government at Nanking is having financial difficulties. It is possible, therefore, that the Japanese may offer, or the Chinese may ask for, some kind of assistance from Japan but it is uncertain just what Japan may be able to do. It seems unlikely that Japan would be able to make money available in any quantity and it is not clear what the Chinese would accept other than money or what the Japanese would expect as compensation for such assistance as they might offer or give. As the basic medium of exchange in China is silver, the Chinese Government may, on account of the rising price of silver, be forced to devalue its currency and to seek Japan's assistance in stabilizing the currency.

EGC.
FE:EGC

FE

32
Feb 8 1936 PM

(CONFIDENTIAL)

P A R A P H R A S E

A telegram (No. 23) dated February 4, 1935, from the American Ambassador at Tokyo, reads substantially as follows:

Under dates January 30 and February 3 the NEW YORK TIMES correspondent in Tokyo telegraphed analyses of the Sino-Japanese situation which are worth attention. It is known that the correspondent consulted business men and high Foreign Office and other Japanese officials. Usually the correspondent's information is accurate, although in this instance it seems that he has not stressed sufficiently the situation's economic aspects which may prove to be the deciding factor in any arrangement which may result from the conversations which are being carried on at present.

The Japanese Foreign Office continues to state that at the present time the Japanese Government is making no demands on China.

793.94/6856

EGC
FE:EGC

FE

II-7-35

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS
February 2, 1935.

~~MSM:~~
~~RCM:~~
~~WAG:~~
~~SEN:~~

Peiping's despatch No. 3235 of January 4, 1935, summarizes certain comments in regard to Sino-Japanese relations made to a member of the Legation staff by a Japanese civilian who is the Peiping representative of the Rengo news agency and whose statements in the past have been frank, unusually honest and frequently accurate.

The first four and one-half pages of the despatch need not be read as they largely duplicate information previously received by the Department with regard to the Tangku truce agreement and the assignment of a less conciliatory assistant Japanese military attaché to Peiping to replace Lieutenant-Colonel Shibayama.

The remainder of the despatch (commencing at the middle of page 5) should, I believe, be read in its entirety. The subjects discussed are (1) the attitude and plans of the Japanese military in north China; (2) Japanese influence in the coastal provinces of China; and (3) the situation in Mongolia vis-a-vis Japan.

ew
EW/VDM

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



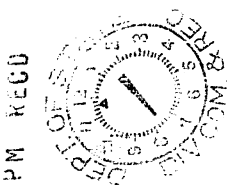
No. 3235

LEGATION OF THE
UNITED STATES OF AMERICA
Peiping, January 4, 1935.

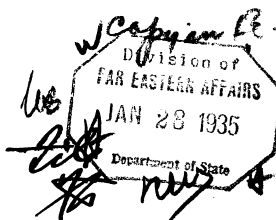
Subject: Comments by a Japanese on
Sino-Japanese relations.

STRICTLY CONFIDENTIAL

793194



JAN 26 35



For Distribution-Check		Yes	No
Grade			<input checked="" type="checkbox"/>
For	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

I have the honor to summarize comments made December 31, 1934, to a member of the Legation by a Japanese civilian (Mr. M. Yamakami, local representative of the Rengo News Agency) with regard to Sino-Japanese relations. Statements made to the Legation in the past by Mr. Yamakami have shown, with the passage of time, an unusual honesty and have been frequently accurate. The cause of his frankness is probably the pessimism with which he regards the established order of things in his own country.

The

793.94/6843

FILED

FEB 9 - 1935

- 2 -

The secret clauses of the Tangku Truce:

Mr. Yamakami stated that he was positive that the Tangku Truce, which was signed May 31, 1933, and which ended Sino-Japanese warfare in North China, contained four secret clauses, and probably a fifth. By these four clauses the Chinese promised: (1) resumption of through passenger traffic on the Peiping-Liaoning Railway; (2) establishment of customs houses along the Great Wall; (3) inauguration of normal postal communications between "Manchukuo" and China; and (4) aerial communication. He had also been informed that there was a fifth clause which dealt with the retention in the city of Peiping of a number of Chinese troops sufficient to preserve order and the withdrawal of Chinese troops from a certain area surrounding the city. This clause, Mr. Yamakami understands, has ceased to be significant as conditions have altered since the signing of the truce. (The Legation has received practically the same information with regard to the secret clauses of the Tangku Truce from a Chinese official and is inclined to regard the foregoing information as correct). In Mr. Yamakami's opinion, with regard to the fourth clause, the Japanese military want to establish an air line between Peiping and Dairen, via Tientsin, less for strategic purposes than for purpose of "face". He has been informed that, due to Chinese reluctance, the establishment of such an air-line does not appear to be probable in the immediate

future.

- 3 -

future.

The demilitarised area:

Mr. Yamakami said that questions under negotiation with regard to the demilitarised area in northern Hopei Province had been settled a few days ago by an agreement between the Chinese and Japanese concerned, particularly in reference to the number, personnel, and equipment of the police force to be stationed in that area, and the withdrawal of the Japanese troops still stationed at Malanyu, south of the Great Wall. (Announcement that agreement had been reached was made to the press on December 24 by Lieutenant-Colonel Seiya Giga, Chief of the Special Japanese Military Mission at Shanhaikuan).

Transfer of the Assistant Japanese Military

Attaché:

CBF
CBF
Lieutenant-Colonel Kaneshiro Shibayama, Japanese Assistant Military Attaché at Peiping, has been transferred, his place to be taken by Major Tan Takahashi, Assistant Military Attaché at Nanking, who, according to Mr. Yamakami, is very reactionary and was primarily responsible for the bellicose attitude of the Japanese authorities toward the National Government following the disappearance of "Vice Consul" Kuramoto last June. Mr. Yamakami stated that Lieutenant-Colonel Shibayama has been transferred because the Japanese military regard him as too conciliatory in dealing with the Chinese authorities. In this connection,

- 4 -

connection, a statement of Lieutenant-Colonel Shibayama to Mr. Yamakami is of interest, the former having said that in November, 1934, he had purchased his railway ticket to Shanghai to attend a conference in that city of Japanese military attaches but did not go because he was informed that his presence was not desired. (It was these officers at Shanghai who issued a statement to the press complaining of the Chinese attitude toward Japan and of Chinese efforts "to prolong the fulfillment of stipulations" of the Tangku Truce, as reported in the Legation's monthly report for November, 1934). Lieutenant-Colonel Shibayama also told Mr. Yamakami that he had recommended that his successor be an officer of moderate views and that his recommendation was not followed.

The future of General Huang Fu and North China:

It is Mr. Yamakami's opinion that, following General Huang Fu's trip to Nanking, scheduled for the tenth of this month, to assume the post of Minister of the Interior, he will not return to North China. He also believes that General Ho Ying-ch'in, the Minister of War, who is at present in Central China, will not return, and that the Peiping Political Affairs Readjustment Council, of which General Huang Fu is Chairman, and the Peiping Branch Military Council, of which General Ho Ying-ch'in is Chairman, will cease to exist. Mr. Yamakami bases this opinion on various factors. { Yamakami He has been informed, presumably

by

- 5 -

by Lieutenant-Colonel Shibayama, with whom his relations seem to be very friendly, that the Kwantung Army has informed General Huang Fu that his presence in North China is no longer desired by it as, with the fulfillment of the most important clauses of the Tangku Truce and agreement with regard to the demilitarized area, his mission in North China has been completed and he is no longer needed here. Furthermore, Lieutenant-Colonel Shibayama informed Mr. Yamakami that General Huang Fu had stated that he would remain in North China only so long as Lieutenant-Colonel Shibayama remained, a statement which does not seem unreasonable in view of the reportedly liberal attitude of the latter.

Mr. Yamakami believes that the Japanese military do not want General Huang Fu in North China any longer because they feel that, now that he has served his primary purpose, they would be able hereafter more easily to extend their control as a result of the disrupted conditions which would follow his departure and the consequent elimination of the Political Affairs Readjustment Council. He added that the Japanese military still hope to force out of North China all Kuomintang organizations. In his opinion the Japanese military desire North China to be practically, although not nominally, independent of Nanking so that they may have substantial political control and so that Japanese economic penetration may be facilitated. Mr. Yamakami explained that by "North

China"

- 6 -

China" he meant the five provinces of Hopei, Shantung, Shansi, Chahar, and Suiyuan.

With regard to present efforts of the Japanese to penetrate into North China economically, Mr. Yamakami said that he did not think that so far they had had much success. The only railway construction which has been decided upon, so far as he knew, was a short line to be built in the vicinity of Nankow, on the Peiping-Suiyuan Railway, for the purpose of straightening out an unnecessary curve which exists there now, thereby shortening the journey from Peiping westward. He said that the materials for this line are to be supplied by the Japanese. He also said that he was positive that negotiations for the re-establishment of the Exchange Bank of China at Tientsin, through which a number of the so-called Nishihara loans were made, have completely failed.

Mr. Yamakami had heard of no new "demands" on China (reference: Legation's despatch No. 3128 of December 22, 1934) and when he was asked with regard to a rumored demand that five Japanese military advisers be assigned to each Chinese governor of the coastal provinces, he laughed and said that that was somewhat absurd as there are Japanese military "attachés" in those provinces already. He mentioned that the Japanese military "attaché" at Canton, an ultra-patriotic officer, has recently been replaced by an officer of more moderate views, a transfer which would seem to indicate that no forward movement

in

- 7 -

in South China is contemplated at present by the Japanese.

Inner Mongolia:

Mr. Yamakami said, with regard to Inner Mongolia, that he knew positively that a number of Japanese military officers in plain clothes had returned from Inner Mongolia (in China) because they had decided that it was impossible to persuade the Mongols of the new "autonomous" government there to become pro-"Manchukuo". He also said that the abduction (and alleged murder) of Han Feng-lin, a Mongolia representative, was not an important factor in the relations of the Mongols of Inner Mongolia in China with the National Government for the reason that the Mongols were well aware that Han had been assassinated because of his intrigues with the Japanese. Mr. Yamakami added that he believes that the Japanese will be satisfied with the incorporation into "Manchukuo" of northeastern Chahar Province, where the Mongols are more susceptible to persuasion than those in other parts of that province.

The Legation feels, however, that if the Japanese plain-clothes military have withdrawn from Inner Mongolia in China it may be for reasons other than that ascribed by Mr. Yamakami. It is not impossible that the Japanese have decided to abandon their efforts there temporarily in view of the probability that a Russo-Japanese war is not now

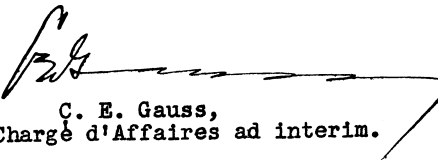
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Department of State letter, August 10, 1972
By Milton D. Quate NARS, Date 12-18-75

- 8 -

imminent or for the reason that they may first intend to gain so effective a control of North China that subsequent absorption of Inner Mongolia will be much easier than it would be at present.

Respectfully yours,


C. E. Gauss,
Chargé d'Affaires ad interim.

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LES/jld

Copy to American Embassy, Tokyo, Japan.

Original and four copies to the Department.

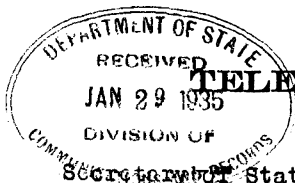
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

Gray.

Tokyo.

Dated January 29, 1935.

Received 8.45 a.m.

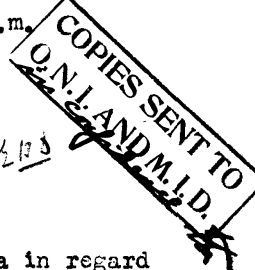


TELEGRAM RECEIVED

Secretary of State,

Washington.

FROM



17, January 29, 6 p.m.

Referring to recent reports from China in regard

to Japanese activities, I was informed orally by the Foreign Office today that Hirota had absolutely no idea of going to China at the present time; that the Japanese Minister to China has received no new instructions and that so far as my informant was aware all there was to these stories was that the Kwantung army hoped to reach a definite understanding with the Chinese local authorities as to the western boundary of Johol; such arrangement would necessarily be local, because anything else would bring up the question of recognition of Manchukuo, which no Chinese official could possibly consider at the present time. So far as loans to China are concerned, I was informed that no Japanese loans are in prospect, as the Nanking Government could not consider a loan from Japanese sources, and Japanese bankers would not lend money to China in view of the fact that old debt questions are still outstanding. The Foreign Office seems to be of the opinion that the present is no time to attempt new negotiations with China.

Repeated to Peiping.

GREW.

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JAN 30 1935

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

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

TELEGRAM RECEIVED

Peiping, via N. R.,

Received January 30 1935,

Rec'd 6:15 A. M.

DEPARTMENT OF STATE
RECEIVED
JAN 30 1935
DIVISION OF
COMMUNICATIONS AND RECORDS
Secretary of State,
Washington.

DIVISION OF
FAR EASTERN AFFAIRS
JAN 30 1935
Department of State

48, January 30, 2 p. m.

Reference paragraph two, Legation's 40, January 28, 1 p. m.

information received from appropriate American naval vessels shows no abnormal situation. I have telegraphed the Commander in Chief the purport of Nanking's telegrams, informing him that, although these reports are denied at the Japanese Foreign Office and lack official Chinese confirmation, there is reason to believe that they may have some basis in informal negotiations through other than the usual diplomatic avenues.

I have requested him to inform us of any abnormal developments in Japanese naval representation particularly in respect to South China.

GAUSS

WSB

JAN 31 1935

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

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

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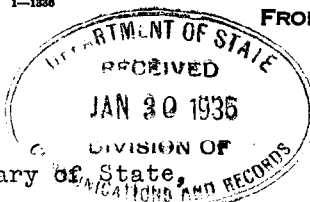
Nanking via NR

Dated January 30, 1935.

Received 9:30 AM

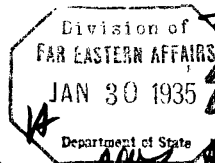
1-1336

FROM



Secretary of State,
Washington.

February 1 1935



19 January 30, 3 p.m.

CONFIDENTIAL.

One. On January 29, 4 p.m. Suma, Nanking representative of the Japanese Legation, volunteered to me comments on the present state of Japanese-Chinese relations. Suma said the Japanese Government feels aggrieved because (1) in many localities in China there are still planned anti-Japanese activities; (2) the Chinese Government discriminated against Japan, as for example, in failing to number Japanese among its foreign advisers and (3) because in spite of fair words the Chinese Government fails to take concrete steps to restore intimate relations with Japan.

Two. Despite these discouraging features Suma professed belief that the most powerful persons in the Chinese Government have come to view the existence of Manchukuo as a fact which cannot be denied or altered and are ready to take cautious steps toward clearing up outstanding questions. He was unable or unwilling to say what those steps would be. Suma denied that the Japanese Government

793.94/6846

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Page 2 from Nanking No 19

Government intended to change its policy or exert additional pressure.

Three. Suma/ showed great interest in reports that negotiations are progressing between the Hong Kong and Shanghai Bank, the Chartered Bank and the Chinese Government for a loan of 200,000,000 sterling to be used in currency and market stabilization and inquired whether negotiations have been initiated with any American interests to which I replied I did not know. He said that Japan had no large sum available for such a loan but he urged that it would rightfully come within scope of the consortium agreement. / Repeated to the Legation.

PECK

CSB WSB

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

February 1 1935.

In reply refer to
FE 793.94/6846

CONFIDENTIAL

My dear Mr. Secretary:

As of possible interest in connection with the question of the effects on China of the silver policy of the United States, I may state that this Department has received from the Nanking office of the American Legation a confidential telegram under date January 30, 1935, in which are made known certain comments offered to the American representative on January 29 by the senior representative in Nanking of the Japanese Legation there.

The telegram under reference states in part as follows:

The Japanese official "showed great interest in reports that negotiations are progressing between the Hong Kong and Shanghai Bank, the Chartered Bank and the Chinese Government for a loan of 200,000,000 sterling to be used in currency and market stabilization and inquired whether negotiations have been initiated with any American interests to which I replied I did not know. He said that Japan had no large sum available for such a loan but he urged that it would rightfully come within scope of the consortium agreement."

The Honorable

Henry Morgenthau, jr.,

Secretary of the Treasury.

This

793.94/6846

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

- 2 -

This Department has had no "reports" with regard to any loan negotiations such as are mentioned in this excerpt but has noticed, as you doubtless also have, items in the press mentioning, without particulars, rumors that conversations regarding possible loans have been held.

Sincerely yours,

William Phillips

Under Secretary.

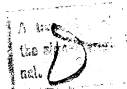
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

MILITARY INTELLIGENCE DIVISION
IN REPLYING REFER TO

WAR DEPARTMENT

OFFICE OF THE CHIEF OF STAFF
Division WASHINGTON D. C.

FAR EASTERN AFFAIRS

JAN 24 1935

January 7, 1935.

THE UNDER SECRETARY

JAN 24 1935

DEPARTMENT OF STATE

DEPARTMENT OF STATE
RECEIVED

JAN 30 1935

DIVISION OF

COMMUNICATIONS AND RECORDS

MEMORANDUM for Chief, Intelligence Branch:

Subject: Military Significance of Japanese Actions
in North China.

DIVISION
OF EASTERN
EUROPEAN AFFAIRS
JAN 31 1935
DEPARTMENT
OF STATE

1. Recent reports from Peiping and from consular officers in China and Manchuria indicate that the Chinese have agreed to move the provincial capital from Tientsin to Paotingfu, and that General Yu Hseuh-chung's provincial troops will be withdrawn south of the Peiping Tientsin Railway. In effect, this means a withdrawal of National Government control from Peiping and from Tientsin. Further, this action appears to have been taken at the instance of the Japanese, whether as an extension of the demilitarized area of North China, or under some other guise is not apparent. It is also stated that there is no apparent Japanese payment for this concession except a Japanese guarantee that it will not encourage any independence movement in North China hereafter. Another note indicates that Japan will secure the right to extend through traffic on the Peiping-Mukden Railway to the Peiping-Suiyuan line in Inner Mongolia.

2. While the information at hand is very limited, the entire procedure appears to be an extension of Japanese military control in North China to the Peiping-Suiyuan Railway. Mongolia is a possible "jump off" line for a Japanese attack on Russia. For reasons too lengthy for discussion here Japan may choose to launch a serious attack across Mongolia towards Urga and Lake Baikal and thus turn the entire Russian prepared position in the Far East.

3. It is believed that the renunciation of the Washington Naval Treaty brings Japan much nearer a crisis with Russia. Japan cannot risk conflict with any power in the Pacific until her situation vis-a-vis Russia has become stabilized either through a war or by treaty. Therefore, almost continuously during 1933 and 1934 Japan has been consolidating her position in Manchuria, in Mongolia, and in China while she prepared for war against Russia. As Japan's rearmament program nears completion her need for decisive action becomes imperative - (a) while she believes she has the advantage, (b) to justify her huge war expenditures, and (c) to secure her Asiatic continental position before the final termination of the naval treaty brings a real Pacific crisis.

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E.O. 11652, Sec. 3(E) and 5(D) of (E)
OSD letter, May 3, 1972
By 8 NARS Date 3/19/73

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JAN 11 1935

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

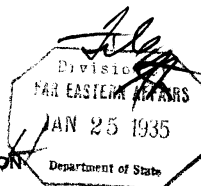
4. One factor to be considered is Russian preparations to resist. Japanese regard a conflict with Russia as inevitable. The Araki group advocate an immediate war before Russia becomes stronger; the older more conservative group does not believe that Russian preparations will increase Russian ability to resist in the same proportion as Japan's power to attack will increase with the completion of the rearmament program. We cannot know when the Japanese rearmament program will be completed, but assuming that 500 tanks have been constructed during the past year Japan should be nearly ready. Japan may expect a quick victory over Russia to make her position secure by the end of 1936. To delay attacking until after 1935 would probably compel a further postponement until after 1936.

5. This movement into North China, then, must be regarded with the greatest suspicion and as the possible forerunner of a 1935 attack on Russia.

NOTE: By rearmament we include motorization, mechanization and modernization of weapons and organization.

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

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DIVISION OF CURRENT INFORMATION



1935 JAN 26 AM 11 42

January 23, 1935

793.94
DIVISION OF
COMMUNICATIONS
Mr. W. H. H. H.

According to a United Press bulletin from ~~Peiping~~
one thousand Japanese troops and another thousand Man-
chukuo troops are engaged in a fight with Chinese troops
along a twenty-five mile front, extending from Tushihkou
(Tshihkou) to Kuyuan. The Japanese troops, it is said,
went through a pass in the Great Wall at a point near
Tushihkou.

The Japanese are said to be using tanks and other
mechanized equipment.

According to the bulletin the Chinese claim that
they have repelled the initial attack launched by the
Japanese.

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JAN 26 1935

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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
Department of State

January 29, 1935.

6544

JAN 29 1935

Reference, Tokyo's telegram 17, January 29, 6 p.m.,
and various telegrams received recently from Nanking and
Peiping, and current newspaper reports on the subject of
a possibly impending rapprochement between Japan and
China.

It is believed that we should view the information
given Ambassador Grew "orally by the Foreign Office today"
(Japanese Foreign Office, January 29) with a reasonable
degree of objective skepticism. Where there is so much
smoke there is probably some fire. If there is fire of
the type indicated, the logical thing for the Japanese
Foreign Office to wish would be that other foreign offices
pay no attention to the matter; and the logical thing for
them to ^{do} say to that end would be to say that there is no
fire.

There may be recalled the story with regard to
Secretary of State Bryan and Japanese Ambassador Chinda
at the time when the news of Japan's Twenty-one Demands
on China, in 1915, began to come through. The story is that
the AP correspondent in Peking sent full information to
the AP offices in New York; that the then head of the AP
(Melville Stone) came with the story to Mr. Bryan; that

Mr. Bryan

JAN 31 1935

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- 2 -

Mr. Bryan called in the Japanese Ambassador and asked him whether the story was true; that Ambassador Chinda replied that it was not; that, later, Mr. Bryan asked Ambassador Chinda why he had falsified; and that Ambassador Chinda replied, "What else would you have expected me to have said."

It is believed that we should watch closely the evidence, the reports, the stories and rumors, the denials, etc., in regard to this situation; that we should expect our course of action with regard to it to be negative; and that we should as far as possible refrain from comment but should not subscribe to or cultivate any impression that we are indifferent to the possibilities and implications of developments in this situation.

me
We are preparing an
Exhibit to send to
the President.

me

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

THE WHITE HOUSE
WASHINGTON



January 31, 1935.
MEMORANDUM FOR THE SECRETARY OF STATE

I think our immediate course should be to watch closely all evidence, reports, rumors, etc., and be prepared to ask for official information both from China and Japan, if and when the situation warrants it.

793.94/6849 1/6

FWR

F. D. R.

MAY 10 1935

FILED

This was attached to
letter Jan. 30, 1935
see encls. 6850A for copy
Original returned
to W. H.



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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

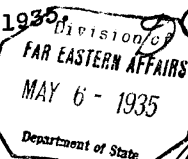
STRICTLY CONFIDENTIAL

February 1, 1935

1935 MAY 7 AM 9 24

FAR EASTERN SITUATION: RUMORS OF

CHINESE-JAPANESE RAPPROCHEMENT



793.94/6849/6
The Chinese Minister informs me in confidence that he has a strictly confidential telegram from his Minister for Foreign Affairs which states in effect that reports published in American newspapers appear to be Japanese propaganda; that the Japanese press has published even more sensational predictions; that Japanese officials have not yet made a "concrete démarche" except a demand for complete suppression in China of anti-Japanese activities; that it is believed in China that proposals of importance may soon emanate from Tokyo; that the authorities in Nanking consider it advisable to obtain "Japan's respect for Chinese territorial integrity pending settlement of the 'Manchukuo' question" and to avoid any concession which would involve a loss of sovereign rights.

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FILED
MAY 7 1935

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

February 1, 1935.

1935 MAY 7 AM 9 24

Subject: Rumored Negotiations Between
China and Japan.

Mr. Hornbeck: CONS



193 94/6849 3/6

In giving thought to the question of what action, whether of a positive or negative character, the American Government should take if and when confronted by consummation of agreements between China and Japan of the type recently reported by the press and by American diplomatic and consular officers in China and Japan, it is believed that factors should be taken into account as follows:

1. The consummation of such agreements would affect Great Britain more than they would the United States.
2. There is probably no action which the United States could take which could cause repudiation of such agreements by either China or Japan, short of the use of armed force by the United States. It may be assumed that the United States would not wish to use armed force to bring about repudiation of the agreements. Any action taken by the American Government would therefore be action designed primarily to keep the legal records straight.
3. It may well be doubted whether the agreements outlined in press reports and in reports from the field will be consummated at one time. The putting into effect of such agreements may well be done gradually and be spread over a number of years.

4. Any

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MAY 7 1935

- 2 -

4. Any agreements between China and Japan will probably be concluded or carried into effect in such a way as to avoid direct conflict with the provisions of existing treaties.

5. It would seem advisable that the American Government avoid, if practicable, assuming any position which would make the United States appear as the special custodian of the Nine Power Treaty or as the country leading opposition to Japan's acts. It is believed further that the American people, whatever may have been their view in the past, do not now expect their Government to assume such a position.

6. In case it be decided that the American Government should address a note either to China or to Japan, or to both countries, or to make² public statement, it is suggested that such a note or statement avoid use of terms which would characterize it as another "non-recognition" document. It would appear to be sounder tactics to have such a note or statement follow the lines of the American Government's ~~note~~^{communication} of April ~~30~~²⁹, 1934, to the Japanese Government in rejoinder to the Amau statement of April 17, 1934.

7. It would appear advisable that the American Government be prepared to exchange information on the matter with the British Government.

In the light of the above factors, it is recommended that the Department proceed cautiously and slowly and that, while recognizing that some action by it may in certain contingencies

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

- 3 -

contingencies seem desirable and expedient for purposes of the legal record, the Department lean toward the idea that no action by it will be necessary rather than leaning toward a contrary view.

m.m.f.
MMH/REK

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

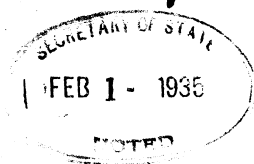
DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

II-1-35

Mrs. Secretary —

This for review
+ possible use
in Cabinet Meeting
See specially record page.



SKH

16

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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

STRICTLY CONFIDENTIAL

February 1, 1935.

FAR EASTERN SITUATION: RUMORS OF
CHINESE-JAPANESE ARRANGEMENT

FEB 12 1935

Mr. Secretary:

In the light of all the information thus far available, I am inclined to believe that the Japanese Government, in prosecution of its general Far Eastern policy, is now engaged in the placing of what may be called a diplomatic barrage. My conjecture is that the military advance into Chahar, in addition to the intended features of military training for Japanese Army units and slightly extending Japanese military control westward, is intended to elicit indications of the attitude of the Soviet Union, of the Chinese and of the other powers, especially Great Britain and the United States; and that, simultaneously, and likewise for the purpose of eliciting indications of attitude, the authorities in Japan are giving out through the press, Japanese and foreign, stories intended to make it appear that major problems are being discussed between Japanese and Chinese high officials. ~~for the purpose, in part at least, of eliciting indications of foreign attitude.~~ While I have no doubt but that they intend, unless there should appear from abroad signs of substantial opposition, to make substantial demands upon China, I do not believe that they will venture at this stage and all in one stroke to make demands

OR

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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 -

or to try to conclude agreements as comprehensive as those which have been forecast in the stories in the Japanese press. The demands which they probably will make will be of such quality and quantity that we will be compelled to view them with regret; ~~that~~ but it will probably be the effort of the Japanese Government to keep them just inside the line at which or beyond which, if they went, the powers would feel compelled to take some action indicative of objection.

The above is, of course, simply as a tentative hypothesis.

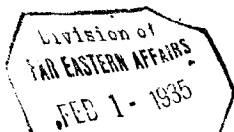
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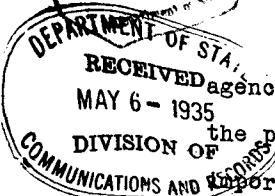
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

February 1, 1935.



SITUATION IN THE FAR EAST: RUMORS OF
CHINESE-JAPANESE RAPPROCHEMENT

SECRETARY OF STATE
FEB 1 - 1935



Press reports and the reports received from our own agencies in the Far East (in China and in Japan) during the past few days indicate that some matters of major importance are under discussion between high Japanese and Chinese officials.

793.94/6849 1/2 The Foreign Offices both of Japan and of China deny that there is under discussion anything new. These denials, in view of the stories which are appearing in the Chinese and the Japanese press, are what might be expected and tend to confirm rather than to prove untrue the press stories. There is nothing yet available of an official character to show what is being discussed. One of the leading Japanese newspapers gives an indication which may at least serve as a clue to what is being thought in Japan with regard to the matter, that is, of the kind of an agreement that the Japanese Government might be seeking (see digest of AP story from Tokyo, based on story in HICHI NICHU, here attached). We have no official information in confirmation of this. Our representatives in China and Japan are, however, on the alert and are

giving

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MAY 6 1935

FILE

- 2 -

giving us such evidence, reports, accounts of stories and rumors, as are available. We are examining these with great care. We are endeavoring to refrain from comment and to avoid giving either an impression that we are indifferent to the possibilities and implications of developments in this situation or giving an impression that we are unduly apprehensive or over-solicitous with regard to ^{them} ~~the situation~~. We are considering what position we should take and what action, positive or negative, if and as the situation develops in one or another direction and reaches one or another conclusion.

It is believed that our course for the present should be one of watchful waiting and of refraining from comment.

FE:SKH/ZMK

FE

-3-

JAPAN DENIES PLAN TO ALLY WITH CHINA

(Tokyo, N. Y. Times, Hugh Byas) While to most observers it seems impossible to minimize the potential importance of the conversations General Chiang Kai-shek, military head of the Nanking Government, has opened with Akira Ariyoshi, the Japanese Minister, and Lieut. Gen. Yoshimichi Suzuki, representing the Japanese Army, the Foreign Office here sounded a warning yesterday against exaggerated expectations.

The statements attributed to the Japanese Consulate General in Geneva Monday were made without Tokyo's knowledge, and officials think there has been a misunderstanding somewhere.

(Tokyo, AP) A vigorous expression of Japan's "vital concern" for the peace of Eastern Asia in the form of positive Sino-Japanese cooperation was heralded yesterday in leading Japanese newspapers.

The ~~Nichi-Nichi~~ said Japan, if Nanking accepted her leadership in international affairs and guaranteed the cessation of anti-Japanese movements such as commercial boycotts, was willing to:

1. Exchange Ambassadors instead of Ministers with China.
2. Sign an agreement with China similar to the Japanese-Manchukuoan protocol under which Japan assumes responsibility for Manchukuo's defense.
3. Conclude a separate treaty with China nullifying the Nine-Power and other treaties to which other powers are parties.
4. Furnish to China a military adviser, on the condition that China dismiss Americans and Europeans now serving the Nanking and Provincial Governments.
5. Establish a permanent demilitarized zone in North China.
6. Assist China to secede from the League of Nations, in furtherance of abandonment of her policy of obtaining help from America and Europe.

PARLIAMENT GETS BENNETT JOB BILL

(Ottawa, N. Y. Times, Special) Prime Minister R. B. Bennett introduced into the Canadian Parliament last night as the first item in his "New Deal" program a bill to establish a federal unemployment insurance system in Canada. As in the British act, employer and employee will contribute equal amounts, and the federal government will add a fifth of their joint contributions and pay the whole cost of administration.

DEPARTMENT OF STATE
DIVISION OF CURRENT INFORMATION

SUMMARY OF THE MORNING NEWSPAPERS, WEDNESDAY, JANUARY 30, 1935

AMERICAN HELD BY NAZIS FACING TRIAL AS TRAITOR

(Berlin, AP) Richard Roederer, naturalized United States citizen, will be indicted soon for treason and tried before a star chamber court which has the power to inflict the death penalty upon conviction, the American consulate was informed yesterday.

A notebook in which Roederer, formerly of Chicago and Cleveland, apparently jotted down his opinions on the regime of Adolf Hitler, brought about his arrest last June 22.

APPROVAL SEEN FOR HARNESSING OF FUNDY TIDES

(Washington Post, Leon Dure, Jr.) Gov. Louis J. Brann, Maine's first Democratic Governor in 16 years, left Washington last night apparently convinced that the Passamaquoddy power development will be approved by President Roosevelt as soon as the \$4,000,000,000 works fund becomes available.

This is the huge project for "harnessing" the high tides that sweep into the Bay of Fundy. Original plans, estimating the cost at \$47,000,000, were turned down last year by PWA as unfeasible. Figures have been cut to \$30,000,000, however, and there was every reason to believe that approval will now be granted.

JAPANESE HEAR CHINA DESIRES RED WAR UNION

(Tokyo, AP) A vigorous expression of Japan's "vital concern" for the peace of eastern Asia in the form of positive Sino-Japanese cooperation was heralded yesterday in leading Japanese newspapers.

Generalissimo Chiang Kai-Shek of the Chinese nationalist government at Nanking will seek Japanese aid against China's communist armies, the newspapers said, and the collaboration thus initiated will result finally in the ousting of western influences from China.

The purported new Chinese policy was insistently attributed to Foreign Minister Koki Hirota, who last week told the diet he fervently hoped "China will awake to realization of the whole situation of east Asia and undertake to meet the genuine aspirations of our country."

DAVIS FORESEES NEW NAVAL PACT WITH JAPANESE

(New York, UP) A hint that the United States eventually will find some formula, making possible a new naval limitation agreement with Japan, was given by Norman H. Davis, chairman of the American delegation to the general disarmament conference, in an address last night.

Reviewing the futile naval conversations in London, which ended in Japan's denunciation of the Washington limitation treaty, Davis told the Council on Foreign Relations that the chief cause of failure was disagreement between Japan, the United States and Britain, on questions of security and national prestige.

WORLD COURT REJECTED BY SEVEN VOTES

(Washington, N. Y. Herald Tribune) Opponents of the World Court triumphed last night when the Senate, in a sharp reversal of its previously apparent sentiment, rejected the resolution providing for American adherence to the tribunal. The vote was 52 to 36, the advocates of adherence falling seven votes short of the two-thirds required for adoption.

-2-

Friends and foes of adherence agreed last night that the result ends for an indefinite period any effort on the part of this government to enter the World Court. Moreover, the vote is a clear indication that the movement which Senator James P. Pope, Democrat of Idaho is sponsoring, to have the United States join the League of Nations, will not receive serious Senate attention.

URUGUAY REBEL LEADER SEIZED; BLOW TO REVOLT

(Montevideo, AP) A major blow was struck at Uruguayan rebels seeking to overturn President Gabriel Terra's two-year-old dictatorship with the arrest of Domingo Baque, president of the National party, who assumed complete responsibility for the revolt.

GENEVA LABOR OFFICE WELCOMES U.S. DELEGATE

(Geneva, N. Y. Herald Tribune) The International Labor Organization's governing body, meeting here yesterday, welcomed Isador Lubin, Federal Commissioner of Labor Statistics, as representative of the United States, which joined the I.L.O. last year. A permanent seat in the governing body has still to be found for America, as well as for Soviet Russia, which also joined the I. L. O. recently. James A. Wilson, member of the Public Works Administration Labor Board, is to be American labor's representative.

SAILORS LAND TO CLAIM CLIPPERTON FOR FRANCE

(Paris, AP) France, awarded tiny Clipperton Island off the Pacific coast of Mexico, finally has landed sailors to claim it in the name of the republic, the government announced yesterday.

Men from the schoolship JEANNE D'ARC toured the island and speedily re-embarked without raising the flag. The sailors and found the place too stormy to land at all a month ago.

PROMISES TO GUARD "FRENCH SECURITY"

(Paris, AP) French security is "indispensable to the peace of Europe," Pierre Laval, Foreign Minister, told the Chamber of Deputies yesterday on the eve of his diplomatic expedition to London.

In the face of the warning from the Nationalist Deputy Franklin-Bouillon, that England was trying to get France to agree to German rearmament, Laval declared he and Premier Pierre-Etienne Flandin, who will accompany him, would know how to guard "French security."

ARMS BODY TO STUDY U.S. CONTROL TREATY

(Geneva, N. Y. Times) Arthur Henderson, president of the Disarmament Commission, has convoked the committee on arms traffic for Feb. 14. The main thing on the agenda is examination of the United States draft for a separate treaty to control nationally and supervise internationally both the manufacture and trade in arms.

The communique does not mention the two other committees that were to be convoked with this one. It is understood one of them--for publicity of war budgets--is not ready, and the other, which deals with political questions, will be called a little later. One of the problems is establishment of a permanent disarmament commission; another is the Russian proposal for a permanent conference.

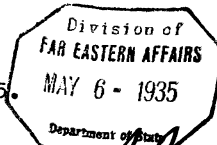
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

DEPARTMENT OF STATE



DIVISION OF FAR EASTERN AFFAIRS

February 2, 1935.



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REPORTED SINO-JAPANESE NEGOTIATIONS:
Effect Thereof on American Interests in China;
Suggestions in Regard to Attitude and Action
on the Part of the American Government.

993.94/6849 5/6

I. As we may now reasonably assume that negotiations between China and Japan are actually in progress, the decision of China to respond to Japan's desire for such negotiations was, in my opinion, due primarily to three considerations, as follows:

(1) The agreement between Japan and Soviet Russia to transfer to "Manchukuo" the ownership of the Chinese Eastern Railway makes more remote the possibility of war between Japan and Soviet Russia;

(2) Japan's notice to terminate the Washington Naval Treaty has enhanced the prestige of Japan in the eyes of China; and

(3) Japan is apparently prepared to give financial assistance to China at a time when Western countries have indicated inability to give substantial help to China and when one of those countries (United States) has pursued a monetary policy injurious to China.

The scope of the negotiations outlined in the report of the Tokyo NICHU NICHU (see annex) embraces, in my opinion, the ultimate ends sought by Japanese militarists.

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MAY 2 1935

- 2 -

The points outlined in the report represent a program of vast extent; it is beset with enormous difficulties; and it will be impossible of completion in the near future. In the circumstancesⁱⁿ which China today finds itself, it is only reasonable and logical to suppose that China must try, however reluctantly, to reconcile itself to the existing facts and situation, and that something will develop out of the present negotiations. Among the points which are most likely to be agreed upon are:

- (1) Modus vivendi covering intercourse (both political and commercial) and communications between China and "Manchukuo";
- (2) Modification of China's system of currency and probable association thereof in some form with Japan's currency;
- (3) Assistance by Japan in reorganization of the Chinese army; and
- (4) Suppression of boycotts in China of Japanese goods.

It may be anticipated that if Japan can commit China in regard to the foregoing points, it could then prepare to carry out the second stage of the program, which might include the following points:

- (1) Abolition or radical curtailment of extraterritorial rights of Japan in China;

(2)

- 3 -

(2) Representation by ambassadors instead of by ministers; and

(3) The granting of concessions (railway, industrial and commercial) by China to Japan.

The second stage having been completed, the ground will then have been prepared for the third and final stage, which would envisage:

(1) The conclusion between China and Japan of a protocol similar to that concluded between Japan and "Manchukuo";

(2) Recognition by China of "Manchukuo";

(3) Abrogation of the Nine Power Treaty;

(4) Withdrawal of China from the League; and

(5) Employment by the Chinese Government of Japanese as advisors and as officials.

It may be confidently assumed that China will resist the granting of special privileges to Japan and that it will not permit Japan to gain a strangle-hold until China is in extremis. It does not, therefore, follow that the interests of the powers will be immediately affected to any important degree by any agreement that Japan and China may enter into in the near future.

II. The events of the past three years have demonstrated that moral persuasion on the part of other powers is not an effective method of bringing about change in the course of Japanese policy. The interposition of the United States, particularly,

- 4 -

particularly, by way of calling the attention of Japan to its various contractual obligations in respect of China and of the interests of foreign powers in China, has served only to excite public opinion in Japan against the United States and to stimulate the military elements ^{in Japan} to resort to further and more extreme measures. The initiative shown by the American Government during the last administration in "mobilizing world opinion" may have had from the long-range viewpoint an incalculably great affect upon promoting the trend toward "collective security"; but it admits of no doubt that the failure of other countries to give support to the United States imposed upon the United States risks and responsibilities which were out of all proportion to our share in the common interest in maintaining the integrity of China. It can also be demonstrated that Great Britain has a larger economic stake and more important political interests in the Far East than has the United States. On the basis of the foregoing considerations, one is lead to the conclusion that this Government should not take the initiative, in action designed to safeguard the common rights and interests in China of the Western Powers, by interposing between Japan and China on the occasion of their present negotiations.

III. The

- 5 -

III. The position of leadership taken by the United States during the past thirty years in developing equitable bases of international association in the Far East, would give enormous significance to any failure on the part of the United States to join with one or more nations prepared to take action calculated to safeguard and preserve common foreign interests in the Far East. Such failure would be construed by the people of the United States as well as by the people of Japan as abandonment of efforts to carry out in the Far East its policy in regard to equality of commercial opportunity. From this viewpoint, participation of the United States in any joint action to preserve common rights and interests in China would be necessary and expedient.

IV. Conclusions and Recommendations:

(a) In considering problems that may arise out of Japanese action in China, a clear distinction should be drawn between situations created by Japan which would abridge, or obstruct the exercise of sovereign rights of the United States and those which ^{would} injure American economic rights in China. In regard to situations belonging to the former category, the United States should unhesitatingly take, independently of other Powers, measures necessary to maintain its sovereign rights: in regard to situations coming

- 6 -

coming under the second category this Government should exercise care to avoid embarking on a course which may necessitate resort to measures which this Government would have preferred to avoid.

(b) There are insufficient data on which to base any decision ^{at this time} in regard to the course which should be pursued by this Government. We should, therefore, endeavor to effect, in London or at Peiping or at Tokyo, or at all three places, exchanges of information with the British. Exchanges of information would open the way ^{for} and promote exchanges of views between the two Governments.

(c) If there ^{should be} ~~are~~ substantial indications that the terms of any agreement envisaged by China and Japan might prejudice American and other foreign interests in China, the American Government should be prepared to join with the Governments of the countries concerned in notifying China and Japan that such agreement will not be recognized.

(d) In the circumstances contemplated in section (b) above, the United States should not take the initiative unless it should appear likely that the interests of this country will be more seriously prejudiced than those of any other country.

(e) In the event that it should become necessary for the United States to take the initiative, whether by

reason

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

- 7 -

reason of the relatively more important American interests involved or by reason of absence of effect of any arrangement that might be made by Japan with China upon other foreign interests, it is recommended that this Government confine its action to reiteration to Japan and iteration to China of the note transmitted on April 29, 1934, by this Government to the Japanese Government on the occasion of the so-called "hands off China" pronouncement of the Japanese Foreign Office.

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FE/END/DLY

ANNEX

(Tokyo, AP) A vigorous expression of Japan's "vital concern" for the peace of Eastern Asia in the form of positive Chino-Japanese cooperation was heralded yesterday in leading Japanese newspapers.

The NICHU NICHU said Japan, if Nanking accepted her leadership in international affairs and guaranteed the cessation of anti-Japanese movements such as commercial boycotts, was willing to:

1. Exchange Ambassadors instead of Ministers with China.
2. Sign an agreement with China similar to the Japanese-Manchukuoan protocol under which Japan assumes responsibility for Manchukuo's defense.
3. Conclude a separate treaty with China nullifying the Nine-Power and other treaties to which other powers are parties.
4. Furnish to China a military adviser, on the condition that China dismiss Americans and Europeans now serving the Nanking and Provincial Governments.
5. Establish a permanent demilitarized zone in North China.
6. Assist China to secede from the League of Nations, in furtherance of abandonment of her policy of obtaining help from America and Europe.

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

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

TELEGRAM RECEIVED

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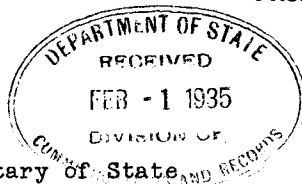
FROM

SPECIAL GRAY

NANKING VIA NR

Dated January 31, 1935

Rec'd 3 pm



Secretary of State

Washington

February 2 1935

Letter to Secretary
Division of
FAR EASTERN AFFAIRS
FEB 1 - 1935
Department of State
WHD

20, January 31, 2 pm.

My 19, January 30, 1 pm.

CONFIDENTIAL.

One. During courtesy call on the Japanese Minister January 30, 7 pm, I alluded to the current newspaper reports that negotiations are progressing between the Japanese and Chinese authorities. I hoped to elicit some information. Although the Minister gave me no details he remarked with evident satisfaction that relations between the two countries are much more favorable than they were.

Two. Captain McHugh of the Fourth Marine Regiment in Shanghai, who is well acquainted with Madame Chiang Kai Shek, paid a social call on her on January 31, 11 am. McHugh mentioned the newspaper reports concerning current negotiations and she stated that the Japanese authorities are pressing the Chinese authorities "very hard", but she insisted that no proposal for an alliance had been made formally. She remarked the Japanese were about to scrap the Nine Power Treaty and inquired what the Americans and British

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

mam

2- #20 from Nanking

British were prepared to do about it, to which McHugh replied that of course he did not know. McHugh states that his informant gave every appearance of knowing about important activities which she was not at liberty to divulge.

Three. / American news correspondent states he has been informed by an official of the Ministry of Finance that latter is working intensively on some scheme of monetary reform. American advisers ^{Arthur N} Young and ^{Oliver C} Lockhart are in Nanking assisting. /

PECK

MAM KLP

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

February 2 1935

In reply refer to
FE 793.94/6850

CONFIDENTIAL

My dear Mr. Secretary:

With further regard to the general subject of the effects on China of the silver policy of the United States and in continuation of the letter to you in which there was quoted an excerpt from a telegram under date January 30, 1935, from the Nanking office of the American Legation, I may state that this Department has now received from the same source a telegram under date January 31 which reads in part as follows:

"American news correspondent states he has been informed by an official of the Ministry of Finance that latter is working intensively on some scheme of monetary reform. American advisers Young and Lockhart are in Nanking assisting."

Sincerely yours,

Cardell Hull

The Honorable

Henry Morgenthau, jr.,

Secretary of the Treasury.

FE:RCM:EJL

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

793.94/

January 30 1935

My dear Mr. President:

I believe that you will be interested in the contents of the attached telegrams in regard to reports that important negotiations are now in progress between China and Japan; also in the memorandum of comment upon the latest received of those telegrams, by the Division of Far Eastern Affairs, a copy of which is attached next hereunder. The situation appears to be somewhat obscure and I am disposed to be guided by the suggestion advanced in the memorandum.

We shall of course continue to follow developments with care and to keep you informed thereof.

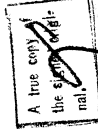
Faithfully yours,

Cordell Hull

Enclosures:
(See attached sheet).

WH
The President,
The White House.

CH
JAN 30, 1935
W.H.



793.94/6350A

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

Enclosures:

Memorandum, January 29, 1935; — 793.94/6849
From Nanking, telegrams
No. 12, January 25, 5 p. m.; — 793.94/6836
No. 13, January 26, noon; — 793.94/6839
No. 14, January 26, 1 p. m.; — 793.94/6838
No. 16, January 28, 9 a. m.; — 793.94/6840
No. 18, January 28, 3 p. m.; — 793.94/6841
To Nanking, telegram
No. 5, January 28, 5 p. m.;
From Peiping, telegram
No. 40, January 28, 1 p. m.; — 793.94/6842
From Shanghai, paraphrase of
telegram No. 42, January 28,
10 a. m.;
From Tokyo, telegram No. 17, — 793.94/6844
January 29, 6 p. m.

27.11.61
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1/29/35

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

* COPY

Paraphrase of telegram received in confidential code from the Commercial Attache at Shanghai dated January 28, 1935.

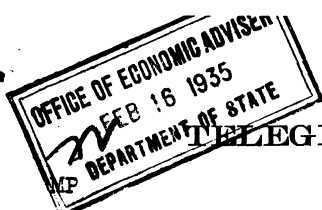
Secretary of State,
 Washington.

42, January 28, 10 a.m.
 FOR THE SECRETARY OF COMMERCE.

STRICTLY CONFIDENTIAL. With reference to the annual report from my office and in particular to the section relating to the silver situation transmitted by radio, I beg to transmit the following. Due to a grave weakness in the Chinese credit system as a result of the extraordinarily heavy flight of silver and in the absence of any statements of a change in the policy of the Government of the United States the Chinese Government seems to be faced with the necessity of seriously considering overtures from Japanese sources for financial relief involving demands for concessions of sweeping character both as to political and economic factors. Would it not seem therefore that there is a danger that our policy with regard to silver may cause more serious international embarrassments and losses than any benefits that might accrue to the United States of a domestic character?
 Arnold.

CUNNINGHAM

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



TELEGRAM RECEIVED

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

FROM

Tokyo

Dated February 2, 1935

Rec'd 1:38 a.m.

Secretary of State
Washington.

22, February 2, 11 a.m.

Despite official assurances that no new instructions have been given to the Japanese Minister to China, rumors of negotiations and proposals for new agreements between Japan and China continue to occupy the press.

From what can be learned here, it seems probable that the basic difficulty may be economic rather than political. The recent rise in the price of silver has upset trade with China, while the currency situation in Manchuria is causing the Japanese army much concern. Reports, whose value the Embassy cannot estimate, indicate that the Nanking Government is having difficulty with its finances due to the hoarding of silver and its disappearance from circulation. In these circumstances, it is possible that the Chinese may ask for or the Japanese may offer some sort of assistance from Japan, although it is problematical just what Japan may be able to do.

It



Copy to White House
informally Feb 2, 1935
7.7/11
Copy (in Manchuria) Feb 7, 1935
February 7 1935
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793.94/6851

MP

2-#22 From Tokyo, February 2, 11 a.m.

It seems improbable that Japanese money would be available in any quantity, and it is not clear what else would be acceptable, nor is it clear what compensation the Japanese would expect for whatever assistance might be offered or given.

Silver being the basic medium of exchange in China, the Government may be driven by its rising price to currency devaluation and to asking Japanese assistance in stabilizing exchange.

Repeated to Peiping.

GREW

PEG

PARAPHRASE

A telegram dated February 2, 1935, from the American Ambassador at Tokyo, reads substantially as follows:

Notwithstanding assurances from official quarters that the Japanese Minister to China has received no new instructions, the press continues to contain references to rumors of new agreements and negotiations between China and Japan.

Based on such information as may be obtained locally, the probability is that the underlying difficulty is economic rather than political. In Manchuria the Japanese army is greatly worried over the currency situation and Japanese trade with China has been disturbed by the recent increase in the price of silver. It would appear from reports which the Embassy cannot evaluate that the removal from circulation and the hoarding of silver is causing the Chinese Government difficulty with regard to its finances. Thus it is possible that Japan may offer or China may request Japanese assistance although just what steps Japan may take is a matter for conjecture. It would appear doubtful whether funds in any quantity from Japanese sources would be available and it is not apparent what other assistance would prove acceptable. Furthermore, it is not apparent what Japan would expect in return for such

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

- 2 -

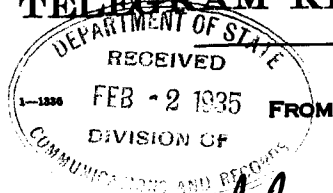
such help as it might be in a position to offer or provide.

It is possible that, as in China the basic medium of exchange is silver, the Chinese Government may be forced, as a result of the increasing price of silver, to request Japanese help in the stabilization of exchange and to effect a devaluation of its currency.

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

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FS



GRAY

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

Peiping via N. R.

Dated February 2, 1935

Rec'd 3:44 a.m.

Secretary of State,

Washington.

Division of
FAR EASTERN AFFAIRS

FEB 2 - 1935

Department of State

57, February 2, noon.

Reference Legation's 360, January 25, 5 p.m.

It is expected that Chinese and Japanese military officers will begin three day conference today at Tatan in western Jehol province for settlement of question on the basis of agreement already informally reached at Peiping. According to Chinese official source the Japanese interpretation of the boundary will be accepted; that is, the north south stretch of the great wall in southeastern Chahar and a line running from its northernmost point passing east of ^{Ku}~~Kan~~ Yuan to the usually accepted Jehol-Chahar boundary; and Chinese troops at present in eastern Chahar will be withdrawn and only Chinese forces acceptable to the Japanese will be allowed to replace them. There is also an unconfirmed report that agreement will be made for opening a motor traffic road between Chengteh and Kalgan running north of the great wall. It is suggested here that the Japanese have asked less than they originally intended

793.94/6852

FILED

FEB 5 - 1935

F.

DECLASSIFIED: E.O. 11652, 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. 57, from Peiping, February 2, noon.

intended in order to have favorable effect on Sino-Japanese negotiations understood to be going on at Nanking.

BRK:GW

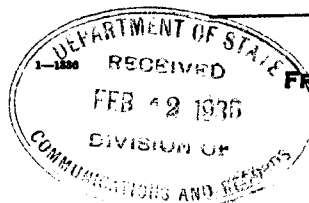
GAUSS

DECLASSIFIED: E.O. 11652, 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

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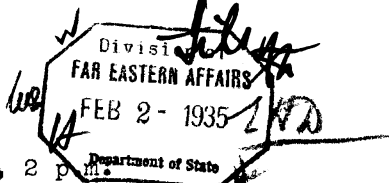
GRAY
FROM

Peiping via N. R.

Dated February 2, 1935

Rec'd 7:58 a.m.

Secretary of State,
Washington.



58, February 2, 2 p.m.

First Secretary Japanese Legation states that the trouble between small forces of Japanese Manchukuo and outer Mongolian troops in the vicinity of Khalkha River near Puirasnor Lake on the Mongolian-Heilungkiang border is due to that river having changed its course. The Japanese claim the original bed which enters the lake as the border. The Mongols regard the now and more northern bed as the border. When the Mongols refused to leave disputed territory the Japanese Manchukuo force drove them out on January 31st. The Legation is inclined to regard the incident as local especially as Japanese interest seems now directed primarily toward China proper.

FILED

6-1935

GW:BRK

GAUSS

F/FG

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TELEGRAM RECEIVED

KLP

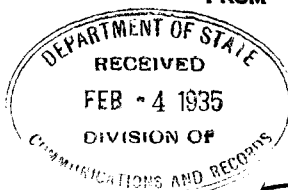
1-1236

GRAY AND SPECIAL GRAY

FROM Peiping via N. R.

Dated February 3, 1935.

Rec'd. 11:50 a.m.



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

Secretary of State,
Washington.



60, February 3, 3 p.m.

(GRAY) Central News Agency reports General Chiang Kai Shek as stating that Hirota's recent speech to Diet is regarded by Chiang as sincere, that China's past anti-Japanese feeling and Japan's dominating attitude toward China should both be rectified for the purpose of strengthening friendship, that the Chinese should curb anti-Japanese movements to manifest their righteousness and that he believes Japan will also treat China righteously. With regard to current alarming rumors of Sino-Japanese negotiations looking toward Japanese protectorate in China, Chiang said that the rumors were absurd. (END GRAY)

(SPECIAL GRAY) These statements are regarded by the Legation as two possible purposes; one, to quiet the Chinese people who have been made uneasy by reports of Sino-Japanese negotiations of wide import being in progress, and, two, to prepare the way for Sino-Japanese cooperation

793.94/6854

FEB 5 1935

FILED

-2-

60 from Peiping

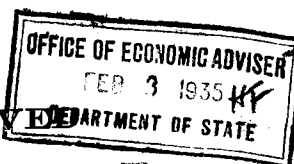
cooperation the degree of which cannot yet be ascertained. However, with regard to the press reports from Tokyo containing nine points which were given by the political correspondent of Osaka ~~MAIN~~ ICHI as being under consideration by the Japanese Foreign Office in forming its China policy, the Legation regards this report as an officially inspired trial balloon to discover foreign and Chinese reaction. It is possible that the reply was exaggerated and made internationally alarming so that when a final show-down comes the foreign powers will be so relieved that Japan has taken less from China than expected that they will view the results with complaisance.

GAUSS

KLP

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

TELEGRAM RECEIVED



MP

1-1280

SPECIAL GREY

Nanking via N.R.

Dated February 3, 1935

Rec'd 7:58 a.m.

Secretary of State

Washington.

21, February 2, 10 a.m.

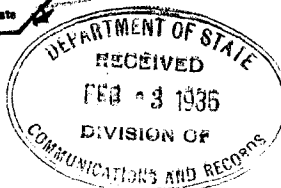
CONFIDENTIAL

One. Kung, Minister of Finance, called on me February 1, 7 p.m., and saying he thought I might want to report to the American Government the present state of affairs, he described what he designated the "grave situation" of the Chinese Government and the entire nation.

Two. While Kung employed very restrained language he nevertheless attributed the gravity of the situation in large part to the silver purchase policy of the American Government which he said had unduly raised the price of silver instead of stabilizing it as had been the intent of the silver agreement. This in turn caused the drain from China of \$260,000,000 in 1934, mainly in the last four months ten times the export in any one previous year which tightened currency and credit and has made it

impossible to finance not only ordinary commercial and industrial operations but even vital government

activities



*Copy to White House
Feb 7, 1935*

793.94/6855

FEB 11 1935

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

MP

2-#21 From Nanking February 2, 10 a.m.

activities such as the economic reconstruction of the country and the suppression of the communist forces West China.

Three. Kung said that disaster threatened unless financial aid obtained from some foreign source and he referred to a proposal which he stated he had submitted to the American Government recently. He asked that I telegraph the Department expressing his earnest hope that this proposal would meet with the approval of the American Government.

Four. As being a phase of the situation of no particular interest to the American Government and to European Governments he referred to recent news reports from Japanese sources to the effect that the Japanese Government is pressing on China collaboration with Japan in all fields to the exclusion of the white races and he particularly instanced a report carried in Reuter's service on February one quoting General Minami as advocating that Europeans, Americans and Orientals each take steps to preserve peace in their respective areas and that China abandon policy of depending on the United States, Europe and the League in opposing Japan. He said I might safely infer from the Japanese reports what proposals are being made

MP

3-#21 From Nanking February 2, 10 a.m.

made in China by Japan. In spite of my questions Kung refused to indicate in precise terms what demands, if any, the Japanese are presenting at the present time but he repeatedly emphasized that now is a crucial time in the history of the Orient and that timely financial aid from the United States enabling China to preserve independence in facing Japan would save the world from the threat of Japan's imperialistic designs.

Five. Chinese leaders, with whom I have conversed during the past week, have been more reticent than is their custom when talking about Japanese oppression in China and I conclude either that the Japanese have not made formally any fresh demands on China or that the Government is favorably considering a policy of submission ^{to} / and collaboration with Japan and is attempting to keep it secret until it is to some extent an accomplished fact. It is certain that there are leaders in the Government who advocate this policy arguing that the assistance hoped for from the United States and the League has hitherto given no promise of materializing in effective form. The most probable explanation of the contradictory reports is that the pro-Japanese group in the government have succeeded in persuading Chiang Kai Shek to listen to Japanese secret overtures and that he has forbidden any discussion of the subject with outsiders.

PECK

RR 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

793.94/6855

February 7 1935.

My dear Mr. President:

In connection with two matters, first, the silver question and, second, the rumors that a forced rapprochement between China and Japan is in process, I send you herewith two telegrams, one from the American Ambassador at Tokyo and the other from the American Consul General and Counselor of Legation at Nanking, both of date February 2.

The telegram from the Ambassador at Tokyo is guarded in tone but gives clear indication of important possibilities. The telegram from the Consul General and Counselor of Legation at Nanking, who is one of our most experienced "China" officers, gives an account of a conversation with Dr. H. H. Kung, Chinese Minister of Finance, in which Kung pleads for solicitous consideration by the American Government of the proposal which he has submitted with regard to silver. The proposal appears in a communication which has been made to us through the Chinese

The President,

The White House.

793.94/6855

DECLASSIFIED: E.O. 11652, 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 -

Chinese Legation, dated February 5, a copy of which I am sending to you separately.

These telegrams give indication of the bearing of the silver question upon developments in the field of Chinese-Japanese relations. Whatever the character and amount of the effect which our silver policy is having upon China and in China, we must recognize, I think, and give due consideration to the fact that it is contributing as one among many factors to the situation of weakness in China of which the Japanese are taking, toward extending their own authority in the Far East, full advantage.

Faithfully yours,

Cordell Hall

Enclosures:

Telegram from Embassy, Tokyo,
February 2, 1935. (In paraphrase)
Telegram from Consulate, Nanking,
No. 21, February 2, 1935. ← 793.94/1855

VB
FEB 7 1935 PM



FE:SKH/DLY:ZMK
2/7/35

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

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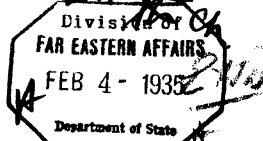
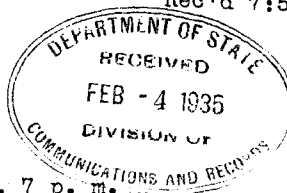
This message ~~TELEGRAM~~ closely paraphrased before being communicated to any one (b)

1-1335

Dated February 4 1935,

FROM
Rec'd 7:58 A. M.

Secretary of State,
Washington.



793.94 23, February 4, 7 p. m.

On January 30 and February 3 the Tokyo correspondent of the NEW YORK TIMES telegraphed analysis of the Sino-Japanese situation that merit attention. I am aware that he has consulted high Foreign Office and other officials as well as business men. His information is usually accurate, although in this case he seems not to stress sufficiently the economic aspects of the situation, which may prove to be the determining factor in any arrangement reached in the present conversations.

The Foreign Office here continues to state that Japan is making no demands on China at the present time.

GREW

RR
WWC

FILED
FEB - 5 - 1935

F.

DECLASSIFIED: E.O. 11652, 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)

FEB -5 1935

P A R A P H R A S E

A telegram (No. 23) dated February 4, 1935, from the American Ambassador at Tokyo, reads substantially as follows:
Under date January 30 and February 3 the NEW YORK TIMES correspondent in Tokyo telegraphed analyses of the Sino-Japanese situation which are worth attention. It is known that the correspondent consulted business men and high Foreign Office and other Japanese officials. Usually the correspondent's information is accurate, although in this instance it seems that he has not stressed sufficiently the situation's economic aspects which may prove to be the deciding factor in any arrangement which may result from the conversations which are being carried on at present.

The Japanese Foreign Office continues to state that at the present time the Japanese Government is making no demands on China.

793.94/6856

E.g.c.
RE: EGC

FE

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

RR

CORRECTED COPY SPECIAL GRAY

TELEGRAM RECEIVED

Nanking via N.R.

Dated February 4, 1935.

Recd. 6:10 a. m.

1-1226

Secretary of State,
Washington.

22, February 4, 11 a. m.

CONFIDENTIAL.

One. An American adviser has confidentially outlined to Atcheson the following dark picture drawn from conversations with important figures in Chinese Government and political life: there is no question that Japan is determining to dominate Chinese affairs and will succeed and there is already evident swing in sentiment among many influential Chinese in Government tending toward anti-foreignism with respect to Americans and Europeans; that only three Chinese leaders know the exact nature of Japanese proposals - Chiang Kai Shek, Madam Chiang and one other informant could not name; that Japanese proposals together with financial crisis and what informant called foredoomed face of Szechwan anti-communist campaign have placed Chiang in inextricable position; and that capitulation to Japanese will lead to his downfall and probably assassination with chaos in China the result.

Two. I feel above is basically true but perhaps over-pessimistic.

CSB

PECK

FROM

DEPARTMENT OF STATE

RECEIVED

FEB 4 1935

DIVISION OF

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

in strict confidence

Copy sent to

Division of

FAR EASTERN AFFAIRS

FEB 6 - 1935

Department of State

FW-793.94/6857

REP

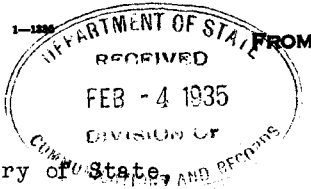
TELEGRAM RECEIVED

SPECIAL GRAY

Nanking via N. P.

Dated February 4, 1935

Rec'd 6:10 a. m.



Secretary of State,

Washington,

22, February 4, 11 a. m.

CONFIDENTIAL.



*See
Corrective
Copy*

One. An American adviser has confidentially outlined to Acheson the following data (?) drawn from conversations (?) important figures, in Chinese Government and political life; there is no question that Japan is determined to dominate in Chinese affairs (?) (?) and there is already evident swing in sentiment among many influential Chinese in government tending toward anti-foreignism with respect to Americans and Europeans; that only three Chinese leaders know the exact nature of Japanese proposals - Chiang Kai Shek, Madam Chiang and one other informant could not name; that Japanese proposals together with financial crisis and what informant called foredoomed fate of Szechwan anti-communist campaign have placed Chiang in inextricable position; and that capitulation to Japanese will lead to his downfall and (?) (?), with chaos in China the result.

Two. I feel above is basically true but perhaps over-pessimistic.

CSB

PECK

793.94/6857

FEB 8 - 1935

793-94

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

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

REP

TELEGRAM RECEIVED

GRAY

1-1280

FROM

Peiping via N. R.

Dated February 6, 1935

Rec'd 2 p. m.

Secretary of State,
Washington.

64, February 6, 4 p. m.

Reference Legation's 57, February 2, noon,
concerning Sino-Japanese conflict on border of Chahar.
A settlement is stated to have been reached on February
2nd by Chinese and Japanese military officers. According
to a press statement issued by the Peiping branch Military
Council:

One. The recent incident in East Chahar occurred
as a result of some misunderstanding.

Two. With a view to effecting a peaceful settle-
ment of the incident, the Japanese troops will withdraw
to their original garrison posts while the Chinese troops
will not go east of the Great Wall, and

Three. Rifles and ammunition which the Chinese
had taken from militia in Jehol will be returned.

According to information given by First Secretary
of the Japanese Legation at Peiping to a member of this
Legation



793.94/6858

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FEB 11 1935

REP

2-#64, From Peiping, Feb. 6, 4 p.m.

Legation, however, the Japanese representative at the conference reviewed the history of the trouble, alleged Chinese responsibility and made three points:

One. The Chinese army should not invade Manchukuo territory or cause the Kwantung army any anxiety from outside that territory and should refrain from sending plain clothes men to spy on Japanese military activities;

Two. In the event that China goes contrary to the above, the Kwantung army will take necessary measures, the result of which will be Chinese responsibility, and the Kwantung army will also consider any straightening of the Chinese lines as a retaliatory act; and,

Three. The arms of the Manchukuo militia shall be returned. The Chinese delegate thereupon approved the historical review, expressed regret, pledged that no such action would occur again, and agreed to the three points. The Japanese secretary also stated that agreement about the boundary would be left for future settlement (a question which in reality is already settled as the Chinese troops are now west of the Great Wall) and that possibly some further withdrawal or replacement of Chinese troops in Southeastern Chahar was indicated by the First Japanese point.

The

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

REP

3-#64, From Peiping, Feb. 6, 4p.m.

The seeming leniency of the Japanese military at this conference indicates their desire to improve the Sino-Japanese cooperation which was advocated by General Chiang Kai Shek in a press statement (see Legation's 60, February 3, 3 p. m.). However, the Legation will continue to endeavor to obtain information with regard to any possible secret understandings reached.

It may be added that the First Secretary of the Japanese Legation also stated that the region north of area recently in dispute is now administered by Manchukuo although Chahar-Jehol border yet remains to be defined.

GAUSS

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 892.00 P.R. Tientsin/79 FOR D-688

FROM Tientain (Lockhart) DATED Jan. 3, 1935
TO NAME 1-1127 ...

REGARDING: Relations between China and Japan during the year of 1934.

FRG.

793.94/ 6859

793.94

B. Relations with other countries.

1. Japan.

793.94

As set forth in the first heading of this despatch, relations between China and Japan during the year were on a somewhat different basis than that which prevailed during the two previous years. While the military has by no means entirely subordinated itself, there is every reason to believe that diplomatic and consular officials may now be having at least some voice in conducting negotiations

- 11 -

negotiations with the Chinese. The chief negotiators, however, still come from the military side of the Japanese Government.

Much of the year was occupied in negotiations relating to through railway traffic between Peiping and Mukden, the interchange of postal facilities, the establishment of customs offices along the Wall, the maintenance of order in the demilitarized zone, and other questions of importance in the relations between the two countries. In general the feeling between the nationals of the two countries appears to be on a friendlier basis than obtained during 1932 and 1933. The Chinese are believed to have put forth special efforts to solve their difficulties with Japan by endeavoring to cultivate an atmosphere of good will and mutual understanding. The Japanese have shown what at least appears on the surface to be a spirit of accommodation, but there is still the belief in some quarters that this responsiveness is substantially backed, and sometimes vocally, by threats of a renewal of military activities if matters do not proceed along a given line.

The month of December is believed to have been a particularly important one in the matter of putting the finishing touches to the negotiations above mentioned. There appears to be no question but that certain concrete results have been achieved and that early in the new year these results

- 12 -

results will be more definitely made known. The policy of endeavoring to settle Sino-Japanese affairs by negotiations is being eagerly watched both in Chinese and foreign circles and it is trusted that the Chinese will derive from the experiment a gain in security and respect which they could not hope to procure by military aggression or resistance.

It is generally believed that the Japanese are devoting more and more attention towards seeing that Chinese are placed in public office who are conservative in their outlook on Sino-Japanese relations.

Diminution of Japanese propaganda.

There was an appreciable diminution of Japanese propaganda in the course of the year, and while there still are being circulated some sheets containing propaganda by Japanese news bureaus, the volume of such material is now very greatly reduced and the tone of the articles circulated is less critical.

Incident near Chinwangtao. The only Sino-Japanese incident occurring in December involved a clash between smugglers and customs inspectors at the mouth of the Shih Ho near Chinwangtao on or about December 8. A small vessel flying a Japanese flag was suspected of being engaged in smuggling activities and when the Chinese customs inspectors endeavored to board the vessel they were attacked by machine gun fire. It is a matter of common knowledge that Japanese smuggling activities are being

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

- 13 -

being carried on at the mouth of the Shih Ho and
this incident grew out of the Chinese Maritime
Customs endeavoring to curb these activities.
Negotiations have been entered into with a view to
settling the case.

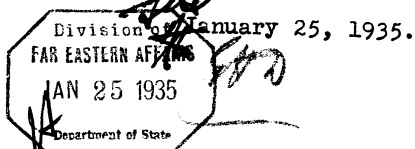
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75



DEPARTMENT OF STATE

ASSISTANT SECRETARY

February 11 1935



FE
Dr. Hornbeck:

Mr. Lamb, Foreign Relations Committee, telephoned me yesterday afternoon and said that the Committee would like very much to have reports on these two attached bills (S. Res. 32 and S. Res. 33) not later than Tuesday. Will you, therefore, have someone write reports on these two bills routing them through my office.

793 94
not
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7/11.0012 Anti War
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793.94/6860

FILED

FEB 18 1935

F/FG.

A-C:WJC:VNG

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

74TH CONGRESS }
1ST SESSION } **S. RES. 32**

RESOLUTION

Authorizing the Committee on Foreign Relations to examine into the policy pursued by Japan in Manchuria.

By Mr. KING

JANUARY 3 (calendar day, JANUARY 7), 1935
Referred to the Committee on Foreign Relations

74TH CONGRESS
1ST SESSION

S. RES. 32

IN THE SENATE OF THE UNITED STATES

JANUARY 3 (calendar day, JANUARY 7), 1935

Mr. KING submitted the following resolution; which was referred to the
Committee on Foreign Relations

RESOLUTION

Whereas by the Kellogg Peace Pact, signed at Paris on August 27, 1928, the high contracting parties (including the United States and Japan) solemnly declared that they condemn recourse to war for the solution of international controversies; and

Whereas by the Nine Power Treaty, signed at Washington on February 6, 1922, the contracting powers (including the United States and Japan) agreed to respect the sovereignty, the independence, and the territorial and administrative integrity 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

Whereas it is alleged that the policy pursued by Japan in Manchuria in establishing the Manchukuoan Government, in setting up a government oil monopoly of foreign oil interests,

and the refusal by Manchukuo, as stated in the Japanese press, to observe the open-door policy except as to nations according her recognition, is a violation of the above treaties: Therefore be it

- 1 *Resolved*, That the Committee on Foreign Relations, or
- 2 any duly authorized subcommittee thereof, is authorized and
- 3 directed to examine into the policy pursued by Japan in
- 4 Manchuria with a view to determining whether such policy
- 5 has violated any of the provisions of the Kellogg Peace Pact
- 6 or the Nine Power Treaty.
- 7 For the purposes of this resolution the committee, or
- 8 any duly authorized subcommittee thereof, is authorized to
- 9 hold such hearings, to sit and act at such times and places
- 10 during the sessions and recesses of the Senate in the Seventy-
- 11 fourth Congress, to employ such clerical and other assistants,
- 12 to require by subpoena or otherwise the attendance of such
- 13 witnesses and the production of such books, papers, and
- 14 documents, to administer such oaths, to take such testimony,
- 15 and to make such expenditures, as it deems advisable. The
- 16 cost of stenographic services to report such hearings shall
- 17 not be in excess of 25 cents per hundred words. The ex-
- 18 penses of the committee, which shall not exceed \$,
- 19 shall be paid from the contingent fund of the Senate upon
- 20 vouchers approved by the chairman,

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

74th CONGRESS }
1st Session }

S. RES. 33

RESOLUTION

Authorizing the Committee on Foreign Relations to investigate the charges that Japan has fortified her mandated islands.

By Mr. KING

JANUARY 3 (calendar day, JANUARY 7), 1935
Referred to the Committee on Foreign Relations

74TH CONGRESS
1ST SESSION

S. RES. 33

IN THE SENATE OF THE UNITED STATES

JANUARY 3 (calendar day, JANUARY 7), 1935

Mr. KING submitted the following resolution; which was referred to the
Committee on Foreign Relations

RESOLUTION

Whereas by article 119 of the treaty of peace with Germany signed at Versailles on June 28, 1919, Germany renounced in favor of the Principal Allied and Associated Powers all rights over her overseas possessions, including the groups of islands in the Pacific Ocean lying north of the Equator; and

Whereas the Principal Allied and Associated Powers, including the United States, agreed that in accordance with article 22, part I (covenant of the League of Nations), of the said treaty, a mandate should be conferred upon His Majesty the Emperor of Japan to administer the said islands; and

Whereas His Majesty the Emperor of Japan accepted such mandate subject to the agreement, among others, that no military or naval bases should be established or fortifications erected in the mandated territory; and

Whereas for some fourteen years there have been recurrent charges in the press to the effect that Japan has fortified her

mandated islands in violation of the agreement not to do so; and

Whereas it is alleged that Japan has failed to make reports on its administration of its mandated islands as required by the League of Nations: Therefore be it

1 *Resolved*, That the Committee on Foreign Relations,
2 or any duly authorized subcommittee thereof, is authorized
3 and directed to examine into the charge that Japan is
4 fortifying or has fortified her mandated islands and to report
5 to the Senate, as soon as practicable, the results of its
6 investigation, together with its recommendations.

7 For the purposes of this resolution the committee, or
8 any duly authorized subcommittee thereof, is authorized
9 to hold such hearings, to sit and act at such times and
10 places during the sessions and recesses of the Senate in
11 the Seventy-fourth Congress, to employ such clerical and
12 other assistants, to require by subpoena or otherwise the
13 attendance of such witnesses and the production of such
14 books, papers, and documents, to administer such oaths, to
15 take such testimony, and to make such expenditures, as it
16 deems advisable. The cost of stenographic services to report
17 such hearings shall not be in excess of 25 cents per hundred
18 words. The expenses of the committee, which shall not
19 exceed \$, shall be paid from the contingent fund
20 of the Senate upon vouchers approved by the chairman.

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

January 31 1935

CONFIDENTIAL

My dear Senator Pittman:

In response to an oral request made to Mr. Carr on January 24, 1935, by Mr. Walter C. Lamb, Assistant Clerk of the Committee, I will express briefly my views with regard to Senate Resolutions 32 and 33, both presented by Senator King on January 3, 1935.

I. Senate Resolution 32 would authorize examination by the Committee on Foreign Relations or a subcommittee thereof "into the policy pursued by Japan in Manchuria with a view to determining whether such policy has violated any of the provisions of the Kellogg Peace Pact or the Nine Power Treaty."

On January 27, 1932, President Hoover transmitted to the Senate a report by Secretary Stimson on conditions in Manchuria, which report, published as Senate Document No. 55 of the Seventy-Second Congress, contains texts of communications

The Honorable
Key Pittman,
Chairman, Committee on Foreign Relations,
United States Senate.

793.94/6860

793.94
note
711.0012
500 P42
4626.01

DECLASSIFIED: E.O. 11652, 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 -

communications passed between the American Government and the Chinese and Japanese Governments, together with other related documents, in regard to the controversy between China and Japan in Manchuria since September 18, 1931, communications passed between the United States and the League of Nations in regard to the same matter, and various relevant documents and communiques issued by the League. The League of Nations has made available to the public reports of the proceedings and findings in regard to the controversy between China and Japan of the various bodies that are either a part of the League or that were set up by it in relation to this matter. It is believed that there is readily available in these and other published documents and papers sufficient material of fact and of opinion to render supererogatory an investigation such as is envisaged in this resolution.

With special reference to the question arising out of the establishment by the authorities in Manchuria of an oil monopoly, it may be stated that the American Government, along with the British and Netherland Governments, has made representations to the Japanese Government, in which it has been emphasized that the establishment of any monopoly would contravene the provisions of treaties and violate other undertakings of the Japanese Government to preserve the principle of the open door. An

investigation

- 3 -

investigation of this question while it is under discussion between the American Government and the Government of Japan would not, it is believed, tend to promote a satisfactory adjustment of the matter.

*note
8626.01*

II. The question raised in Senate Resolution 33, whether Japan has fulfilled its obligations to refrain from fortifying the Japanese Mandated Islands, is being examined by the Mandates Commission of the League of Nations. In view of the fact that the United States has consented, as provided in Article I of the Treaty concluded on February 11, 1922, between the United States and Japan concerning the Island of Yap and other Japanese Mandated Islands, to the administration, pursuant to the mandate issued to Japan, of the Islands by Japan, and in view of the fact that Japan is required under its mandate to report to the League of Nations in regard to the manner in which it is carrying out its mandate, it would seem that assumption by the United States at this time of responsibility for a separate and independent inquiry into the question whether the terms of the mandate are being fulfilled would be untimely and be likely to serve no useful purpose.

III. The two questions set forth in the draft resolutions under reference do not concern exclusively the United States and Japan; they are also of concern to all the nations that are members of the League of Nations
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

- 4 -

and to all that have adhered to the Pact of Paris.

IV. Action such as is envisaged in these resolutions, if engaged in at this time, would in all probability cause and occasion a considerable amount of ill-advised public discussion in this and other countries of controversial questions in regard to which, in the view of this Department, a period of quiet consideration rather than of agitation and contention is desirable.

In view of the foregoing considerations I am of the opinion that an undertaking by the Senate Committee on Foreign Relations or a sub-committee thereof of the investigations proposed in the draft resolutions under reference would not be in the public interest.

I assume that the Committee does not wish to make public this letter or any portion thereof. However, should the Committee desire to make this correspondence available to the public, I request that, prior to such action, I be given an opportunity to express my views in regard to such proposal.

Sincerely yours,

Cordell Hull

✓
CB
JAN 31 1935

SKH
FE:SKH:EHD:REK
1/30/35

W
W
FE
SKH



DECLASSIFIED: E.O. 11652, 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 11 1935.

STRICTLY CONFIDENTIAL

No. 691

The Honorable

Joseph C. Grew,
American Ambassador,
Tokyo.

Sir:

793.94/6860 There is enclosed for your strictly confidential information a copy of a letter under date January 31, 1935, to the Chairman of the Committee on Foreign Relations, in regard to Senate Resolutions 32 and 33, presented by Senator King on January 3, 1935. These Resolutions, copies of which are enclosed, would, if adopted, authorize the Committee on Foreign Relations to examine into the policy pursued by Japan in Manchuria and to investigate the charges that Japan has fortified her Mandated Islands.

Very truly yours,

For the Secretary of State:

R. Walton Moore

Enclosures:
Copy of letter,
January 31, 1935;
Senate Resolutions 32
and 33.

A true copy of
the signed orig-
inal.

FE:MMH:REK
2/9/35

Feb 11 1935

FE

793.94/6860

DECLASSIFIED: E.O. 11652, 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 11 1935.

STRICTLY CONFIDENTIAL

No. 1580

Clarence E. Gauss, Esquire,

American Chargé d'Affaires ad interim,

Peiping.

Sir:

793.94/6860

There is enclosed for your strictly confidential information a copy of a letter under date January 31, 1935, to the Chairman of the Committee on Foreign Relations, in regard to Senate Resolutions 32 and 33, presented by Senator King on January 3, 1935. These Resolutions, copies of which are enclosed, would, if adopted, authorize the Committee on Foreign Relations to examine into the policy pursued by Japan in Manchuria and to investigate the charges that Japan has fortified her Mandated Islands.

Very truly yours,

For the Secretary of State:

R. Walton Moore

Enclosures:

Copy of letter,
January 31, 1935;
Senate Resolutions 32
and 33.

OR
FEB 11 1935

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2/9/35

FE

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the signed orig.
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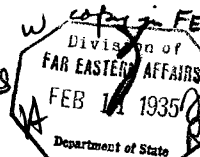
793.94/6860

DECLASSIFIED: E.O. 11652, 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. 6

AMERICAN CONSULATE

Yunnanfu, China, December 28, 1934.



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

793.94
SUBJECT: Transmitting Copies of Despatch No. 5 to
the Legation Concerning Yunnan's Protest
Against Japanese Newspaper Statements.

The Honorable

The Secretary of State

Washington.

For Distribution Check		Yes	No
Grade	G		
For	Ringwalt		
		In U.S.A.	✓
			✓

ONI MID
RCK

RECEIVED STATE
DEPARTMENT OF STATE
FEB 10 1935
FEB 7 1935
DIVISION OF
COMMUNICATIONS
AND RECORDS

793.94/6861

DEPARTMENT OF STATE
FEB 11 1935
FEB 10 1935
FEB 7 1935
DIVISION OF
COMMUNICATIONS
AND RECORDS

As of possible interest to the Department, I have
the honor to transmit herewith copies in quintuplicate
of this Consulate's Despatch No. 5 to the Legation at
Peking, dated December 28, 1934, concerning a formal
protest by the Yunnan Government against certain state-
ments made in a series of articles on Yunnan published in
the OSAKA MAINICHI. This case is of special interest
because of a similar protest against statements by an
American newspaperman, Wilbur Burton, and published in
the CHINA WEEKLY REVIEW. This protest was reported to
the Department in Despatch No. 140, dated January 29, 1934.

751.93/40

Respectfully yours,

Ringwalt
Arthur R. Ringwalt,
American Vice Consul.

Enclosure:

Despatch No. 5 to the Legation,
dated December 28, 1934.

In quintuplicate.

File No. 800
ARR:JSS

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FEB 20 1935
F.

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

No. 5

AMERICAN CONSULATE

Yunnanfu, China, December 28, 1934.

SUBJECT: Formal Protest of the Yunnanese
Provincial Government Against State-
ments Made in the OSAKA MAINICHI.

The Honorable

C. E. Gauss,

American Chargé d'Affaires ad interim,

Peiping.

Sir:

751.93 / 38
40

I have the honor to refer to this Consulate's
Despatch No. 109, dated January 23, 1934, and to
its No. 112, dated January 29, 1934, with reference
to the resentment aroused by certain articles
written by one Wilbur Burton, which appeared in the
CHINA WEEKLY REVIEW during the autumn of the year
1933. A strikingly similar situation occurred recent-
ly in connection with certain articles published in
the OSAKA MAINICHI and reprinted in SATURDAY (禮拜六),
a Shanghai weekly periodical, in its issues of September
15, 22, 29, and October 15, 1934, under the headline
"Yunnan in the Eyes of a Japanese".

These articles discuss, among other things, the
following subjects: Anti-Japanese propaganda; prevalence
of opium smoking, extending even to the official class;
the dependence of the Provincial Administration on the
sale of opium, the proceeds of which are used in the
purchase

- 2 -

purchase of armament; the financial grip on Yunnan exercised by the French railway and the Bank of Indo-China; the fact that the Provincial Chairman is a member of the despised Lolo tribe, that he is of humble origin and illiterate, and that he engineered a coup d'etat which resulted in the ousting of the former Governor T'ang Chi-yao (唐繼堯); and other subjects scarcely planned to please the people of this province.

According to the December 20, 1934, issue of the MIN KUO JIH PAO (民國日報), the local Kuomintang organ, Mr. C. Tonegi, in charge of the local Japanese Consulate, denied having contributed the articles in question, but said that they were probably written by a Japanese journalist who accompanied him when he came to Yunnanfu to take charge of the local Japanese Consulate, which had been closed since October 16, 1931. Mr. Tonegi was alleged to have requested Mr. Wang Tohang Ki (王占祺), the Special Yunnan Delegate of the Ministry of Foreign Affairs, to convey his apologies to Provincial Chairman Lung Yun (龍雲). The paper reports that the Japanese Minister at Peiping was requested to issue a warning to the said newspaperman not to repeat the offense.

Mr. Tonegi, however, gave the undersigned a slightly different account of the matter. According to him, Mr. Wang came to him to complain about the above articles. Mr. Tonegi replied that he was very sorry that the articles had offended the local government, but that they were published without his knowledge and that he

was


DECLASSIFIED: E.O. 11652, 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 -

was in no way responsible therefor. Mr. Wang returned a few days later to state that the articles contained two allegations that particularly offended the Provincial Government, to wit the smoking of opium by Yunnanese officials, and the Lolo origin of Chairman Lung Yun. He demanded an official apology. Mr. Tonegi pointed out that before he could issue such an apology he would have to conduct an investigation to ascertain the truth or falsity of these allegations, and on its completion he would be in a better position to decide on the appropriate procedure. Apparently the position taken by the Japanese official was too much for Mr. Wang, as nobody doubts the truth of the above statements, and the local government would have more to lose than to gain by further publicity in this connection. In any event, the incident may probably be considered as closed.

Respectfully yours,

Arthur R. Ringwalt,
American Vice Consul.

A true copy of
the signed original.


In duplicate.

Quintuplicate copies sent to the Department under cover of Despatch No. 6, dated December 28, 1934.

File No. 800

ARR:JSS

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

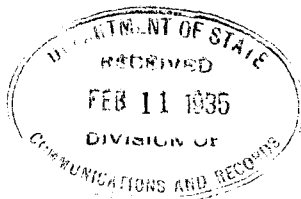
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O.N.I. AND M.I.D. ~~FE~~

TELEGRAM RECEIVED

REP

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CORRECTED COPY
FROM



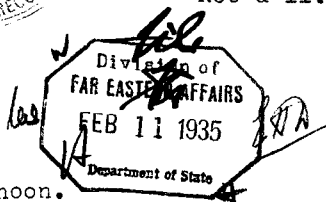
SPECIAL GRAY

Nanking via N. R.

Dated February 9, 1935

Rec'd 11:10 a. m.

Secretary of State,
Washington.



27, February 9, noon.

One. On February 7 during discussion with a responsible official of the Chinese Government the latter expressed to me the conviction that no specific demands or proposals had been presented recently to the Chinese Government although he admitted that various schemes for promoting friendly relations between China and Japan were confirmed by being discussed informally by different officials. He expressed belief that the Japanese Government is very anxious to receive some concrete evidence that China is becoming more friendly because China's attitude toward Japan would be serious if hostilities broke out between Japan and another country, for example, Russia.

Two. Suma yesterday told an American newspaper correspondent that the improvement of relations between Japan and China must be gradual because Chiang Kai Shek must

FW - 793.94/6862

FILED
FEB 14 1935

REF

2-#27, From Nanking, Feb; 9, noon.
Corrected Copy

must overcome die hard opposition in the Nationalist Party. He said that anti-Japanese boycott activities are going on in Nanking and that until the Chinese Government proves by affirmative acts that its attitude toward Japan has become more friendly the reassuring speeches of Wang Ching Wei and others will have no value.

Three. Suma said that the present political conditions in China could not be improved unless the Chinese Government acquired confidence and the only way in which the Government could gain such instruments was by settlement of outstanding issues and by cooperation with Japan. He did not think that the Japanese Government has in mind any large loan to China ^{but} rather the advancing of funds for different projects which should be carried on by the joint action of Japan and China, that is economic cooperation.

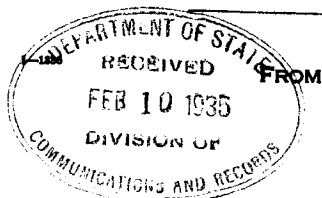
PECK

RR

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

TELEGRAM RECEIVED

MET



SPECIAL GRAY

Nanking via NR

Dated February 9, 1935

Rec'd 11:10 a.m.

Secretary of State,
Washington.

Division of
FAR EASTERN AFFAIRS
FEB 11 1935

27, February 9, noon Department of State

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793.94/6862

F/G

MET

2-#27 from Nanking via NR.,
February 9, noon.

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PECK

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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



LEGATION OF THE
UNITED STATES OF AMERICA

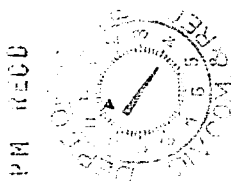
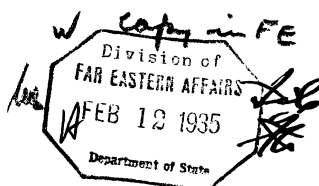
No. 3261

Peiping, January 15, 1935.

Subject: Observations of a Chinese Government
Official on Relations with Japan.

793.94

CONFIDENTIAL



FEB - 9 35

For Distribution Check		Yes	No
Grade	X		
For			
In U.S.A.			

793.94/6863

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

1/ I have the honor to enclose a copy of confidential despatch No. 561 of January 9, 1935, addressed to the Legation by the Counselor of Legation at Nanking, reporting a conversation between him and a prominent Chinese official with regard to Japan's policy toward China.

According to this official, the strengthening of the National Government as a result of the defeat of the communist forces in Kiangsi is not pleasing to the Japanese Government, and it is evident that Japan wishes to achieve domination over China, possibly by

dividing

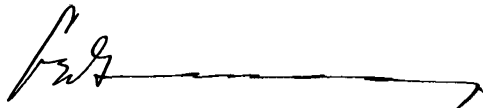
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- 2-

dividing China into three parts. The official feels that successful communist forces in Szechuan would probably bring a Japanese offer of military assistance, which would be utilized by Japan for consolidating itself militarily in China.

Respectfully yours,


C. E. Gauss,
Charge d'Affaires ad interim.

Enclosure:

1. Copy of despatch No. 561, January 9, 1935, from Counselor of Legation, Nanking, to the Legation.

710

LES-SC

Original and one copy to Department.

JM

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

L-561 Diplomatic

1
Nanking Office,
January 9, 1935.

CONFIDENTIAL

Subject: Observations of a Chinese Government
Official on Relations with Japan.

C. E. Gauss, Esquire,

American Chargé d'Affaires, ad interim,

Peiping.

Sir:

I have the honor to state that in the course of a conversation with a prominent Chinese official, who exacted a promise that his name would not be mentioned, the informant made sundry observations regarding Japan's political program in China, which may be summarized as follows:

The recent termination of the Communist bandit suppression campaign in Kiangsi left the National Government in a comparatively strong position, with prospects of bringing the entire country under its effective control brighter than they have been for a long time past. This has not pleased the Japanese Government, since it is the desire of that Government that China shall remain disunited and weak. Proofs of this desire on the part of the Japanese Government have been numerous. For example, a military attaché to the Japanese Legation very recently frankly told an official of the Chinese Government that munitions were being supplied to the Kwangsi militarists and to certain disaffected elements in the Province of

Hopei

-2-

Hopei (at Tientsin) from Japanese sources. The Japanese informant said that whether with, or without, the assistance of the Chinese Government, the time had come for Japan to carry out the "Tanaka Plan", and that if General Chiang Kai-shek, or the National Government, opposed Japan, the latter would assist those factions in China insubordinate to the Government.

The Chinese official with whom I was conversing remarked that it was perfectly evident that Japan wishes to achieve domination over China, possibly by dividing the country into three portions, i.e. creating independent states to the north and to the south of the Yangtze Valley, or by permitting "Manchukuo" to expand into North China. The domination of China, the informant pointed out, was but a step toward the attainment of Japan's intention to obtain complete control of the trade of the Orient and, finally, the mastery of the Pacific Ocean.

The informant remarked that the present course of events threatened to play into the hands of Japan. He said that the Communist forces ejected from Kiangsi were seeking to entrench themselves in the Province of Szechuan and if they succeeded in taking root there they might create a Communist state in West China which would be a threat to the peace and order of British possessions in India and might readily effect junction with Russian Soviet territory. In the face of this danger, he added, Japan would probably offer to send a military force to suppress the incipient state and this offer might be accepted, at least by Great Britain. The sending of such a military expedition would be utilized by Japan as an

occasion

-3-

occasion for consolidating itself militarily in China. The informant said that the Japanese openly state that if Japan became involved in war with the Soviet Union, Great Britain would assist Japan, and if with the United States, Great Britain would remain neutral.

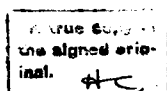
I asked the informant whether he could give me any information regarding a society said to be in existence called the "New China Economic Reconstruction Society", composed of Chinese who believe in economic cooperation with Japan. The informant said that he could not confirm the exact name in Chinese of the organization in question, but he knew of its existence. He said the tendency of its members was to accept at face value the statements of the Japanese that if China would collaborate with Japan in the economic development of China, then Japan and China would constitute a bloc which would be able to expel the white races from eastern areas.

Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Original and two copies to the Legation.

WRP:HC



DECLASSIFIED: E.O. 11652, 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

February 15, 1935.

~~MSM:~~
~~RCM:~~
~~MNH:~~

Tientsin's despatch No. D-693 of January 12, 1935, in regard to the resumption of postal relations with Manchuria.

No action required.

The enclosed despatch to the Legation brings out the following points:

1. The postal blockade was ordered on July 23, 1932.
2. Negotiations looking toward the restoration of through postal facilities across the Sino-Manchurian border were opened about September 15, 1934.
3. Newspaper reports to the effect that the Chinese Vice Minister of Foreign Affairs and the Japanese Minister to China did not take part in the negotiations are believed to be part of the effort made by the Nanking Government to establish the fact that no diplomatic negotiations took place.
4. The method for transmitting mail between

DECLASSIFIED: E.O. 11652, 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

- 2 -

between China and Manchuria is through so-called "mail transmission offices". A former member of the Chinese postal administration, Mr. Hwang Tzu-ku, operates these offices purely as a business venture and receives as his compensation a fee of 1% on all money orders transmitted to and from "Manchukuo". Offices appear to have been opened at Kupeik'ou and Shanhaikuan.

The despatch concludes by stating that the resumption of mail service between China and Manchuria would appear to represent a further formal indication of the tacit recognition by the Government of China of the existence in Manchuria of a non-Chinese régime of some permanence.

W
EW/VDM

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

193.94
293.71 Manchuria
No. D-693

AMERICAN CONSULATE GENERAL,

Tientsin, China, January 12, 1935.

For Distribution-Check		Yes	No
Grade	G	To File	<input checked="" type="checkbox"/>
For	Pol R.S. Ward	In U.S.A.	<input checked="" type="checkbox"/>

Subject:

Resumption of Postal
Relations with Manchuria.

Has Past office for
marked "Confidential" E.S.C.
FEB 19 1935

PM RECD



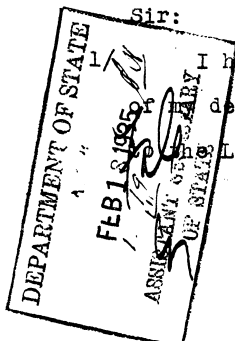
FEB - 9 35

The Honorable

The Secretary of State,
Washington.

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

Sir:



I have the honor to transmit herewith a copy
despatch No. L-855 of today's date, addressed
to the Legation, on the above-mentioned subject.

Respectfully yours,

F. P. Lockhart
F. P. Lockhart,
American Consul General.

Enclosure:

1/, To Legation, January 12, 1935.

800
RSW:HK

Original and four copies to Department.

793.94/6864

FEB 20 1935

FILED

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

No. L-855

AMERICAN CONSULATE GENERAL,

Enclosure No. 1 in Despatch
No. 70-693, Dated Jan. 12, 1935
From the American Consulate General
at Tientsin, China.

Tientsin, China, January 12, 1935.

Subject: Resumption of Postal
Relations with Manchuria.

C. S. Gauss, Esquire,

American Charge d'Affaires ad interim,

Peiping.

Sir:

793.94/6821

I have the honor to refer to this Consulate General's despatch No. L-831, dated November 28, 1934, in which reference was made to the Chinese accession to Japanese demands, involving, among other things, an agreement to permit the resumption of postal relations with Manchuria, and further in that connection, to present here as a matter of record, a brief review of certain published and other statements concerning the negotiations leading up to, and the terms of, that resumption, which was formally effected on January 10, 1935.

Negotiations looking to the restoration of through postal facilities across the Sino-Manchurian "border" were opened about September 15, 1934, in Peiping, recent press reports indicate. It would also seem clear from current accounts that the personnel of the "Postal Conference", as it is now called, although elastic,

- 2 -

elastic, became fairly well defined by the middle of October, and then included Mr. Fujiwara, Director of the Department of Postal Affairs of the Ministry of Communications of the "Manchukuo" Government, Colonel Giga, representative of the Kwantung Army, and Colonel Shibayama, the Military Attache of the Japanese Legation, for the Japanese, and Kao Tsung-wu (高宗武), Assistant Director of the Department of Asiatic Affairs of the Nanking Government and concurrently Secretary of the National Postal Administration, Yin T'ung, (殷同) Managing Director of the Pei-Ning Railway, Yin Ju-keng (殷汝耕) and T'sao Shang-ming, (陶尚銘) Administrative Inspectors of the Chi-Mi and Luan-Yu Areas respectively, Mr. Yu Hsiang-lin (余翔麟), Postal Commissioner of Shansi Province, and Mr. Li Tse-i, (李擇一) member of the Peiping Political Readjustment Council and of the Reorganization Committee for the Demilitarized Zone.

Reports in both the vernacular and English language newspapers of Peiping and Tientsin have denied that either T'ang Yu-jen, (唐有壬) Vice Minister of Foreign Affairs, or Minister Ariyoshi, had any part whatever in the negotiations. It is believed that in view of categorical affirmations made privately by local officials that they both participated in the discussions which led to the settlement, the published statements need be accepted only as part of the effort made by the Nanking Government to establish the fact that no diplomatic negotiations took place.

Press

- 3 -

Press statements contained no hint as to the date upon which the postal agreement was actually reached, nor of the date of the adjournment of the conference. On December 17, Mr. Fujiwara, of the "Manchukuo" Ministry of Communications, left Peiping for Ch'angch'un. Several hours later, Mr. Kao Tsung-wu and Mr. Yu Hsiang-lin left for Nanking. On December 20 Colonel Giga left for Tientsin en route to Mukden.

On January 4, 1935, the statements of Yin T'ung and Colonel Shibayama issued on January 3, to the effect that the question of postal relations had been satisfactorily settled, appeared in the English language press. Simultaneously there appeared a statement to the effect that the omission of the name of "Manchukuo" from the stamps to be used by that country was construed by the Chinese as being a friendly gesture on the part of Japan. This article unquestionably refers to the long dispute over the stamp to be used on mail from "Manchukuo" which, according to information given this office early in December, deadlocked the postal negotiations for several weeks. The Japanese delegates, according to the information referred to, very nearly broke up the discussions on the eve of a settlement, and after an agreement in principle had been reached, by revealing their assumption that the stamps issued in "Manchukuo" would quite naturally bear the head of the "Emperor" K'ang Te. It is understood that no
single

- 4 -

single demand by the Japanese throughout the negotiations so exasperated the Chinese delegates as this insistence that a likeness of the "traitor" P'u I appear on incoming mail. To the Chinese mind the loss of prestige to the National Government at Nanking, the successors to the revolution in which P'u I was forced from the throne, which that government would suffer through the acceptance of such an arrangement would be incalculable. In fact, it was stated to be the view of the Chinese delegates that the use of any stamp which bore on its face evidence of its having been issued by the "Manchukuo" Government would be viewed by Chinese as virtual recognition of that government. The agreement on the use of a representation of the Ch'ang P'ai Shan Mountains, the largest mountain chain in Manchuria, of the Heilungkiang, and of the orchid flower - the "national flower" of "Manchukuo", without characters indicated the supposed foreign origin of the stamp, is alleged to have been followed within a few days by the settlement itself.

The Chinese press of January 5 quoted a spokesman of the Ministry of Foreign Affairs as stating that the International Postal Union would be informed of the resumption of postal relations. The spokesman was also represented as having denied the report that the Chief of the Postal and Telegraph Section of the Ministry of Communications of "Manchukuo" was present at the meeting, and he is said also to have asserted that

- 5 -

that no written statement of the resulting agreement was either drawn up or signed.

In an interview granted to Chinese pressmen on January 6 and which was featured prominently in both the I SHIH and TA KUNG PAO of January 7, a certain Hwang Tzu-ku (黄子固), until recently a member of the Chinese postal administration, stated that as soon as the resumption of postal service was decided upon he had undertaken, purely as a business venture, to transmit Manchurian mail, through "Mail Transmission Offices" (雁通轉遞局). With this in view he had made an application to the Hopei Postal Administration in which he personally guaranteed delivery of all such mails in return for a fee of 1% on all money orders transmitted to and from "Manchukuo". The application contemplated the establishment of two transmission offices, one at Shanhaikuan and the other at Kupeik'ou. This application the Postal Administration accepted, requiring only that Hwang post a shop guarantee in the amount of \$10,000. Hwang agreed to the employment of a staff of assistants, numbering ten for the office to be opened at Shanhaikuan and two for that to be opened at Kupeik'ou, from the sums so earned.

On January 7, according to an article appearing a day later in the I SHIH PAO (Chinese), an agreement between the "Mail Transmission Office" at Shanhaikuan and the Hopei Postal Administration was signed. An

identical

- 6 -

identical agreement was signed the same day with the Peiping Postal Administration covering the office at Kupeik'ou.

The vernacular press of January 9 reported the issuance of proclamations by the Hopei Postal Administration announcing the resumption of mail service from January 10. The I SHIH PAO's report of that date stated that Hwang Tzu-ku, Manager of the Mail Transmission Office, and Han Wang-hsiang (韓望襄), the Assistant Manager, accompanied by a small staff, had left for Shanhaikuan on the previous day.

An article on the subject of the postal resumption appearing on the same day in the NORTH CHINA STAR (American) contained what is alleged to be a copy of the agreement itself. For the convenience of the Legation, a copy of the agreement is enclosed.

On January 10, the date of the resumption of the mail service, the TA KUNG PAO (Chinese) reported that the transmission of ordinary mail to and from "Manchukuo" would be begun on that day, while registered and express letters, parcel post, and money orders, would not be accepted until February 1.(1)

The same issue of that paper, commenting editorially on the agreement, stated that when, on July 23, 1932, the Ministry of Communications ordered the "postal blockade" the circumstances were such that it could do nothing else, although it was recognized at the time that China could not be benefited by the act. The solution was held to be the best possible

arrangement

- (1) Inquiry made of the Post Office indicates that registered and express letters were accepted from Jan. 10, but that parcel post and money orders will not be accepted until Feb. 1.

- 7 -

arrangement that could have been found, although the commentator regretted that the negotiations had been surrounded by such secrecy as to arouse the suspicions of the public. Japan, the article alleged, originally sought to take advantage of the discussions to force China to recognize "Manchukuo" but on this point China remained unmoved and unshaken.

Several well-informed Chinese in Tientsin also have asserted that considerable pressure was brought upon the Chinese participants in these negotiations to bring them to see the wisdom of Chinese recognition of "Manchukuo", and, since that was obviously impossible, to bring them to accept a form of settlement which would more or less clearly imply recognition.

Of even greater importance is the fact, evident throughout a series of conversations between various local officials and business men and members of the staff of this Consulate General, that Chinese generally are convinced that the resumption of postal relations was not the sole item on which the Japanese insisted in the discussions which took place between the middle of September and the last of the year, and further that it was not the only point covered in the agreement which closed those negotiations.

However this may be, the fact of the resumption of mail service between China and "Manchukuo" would appear to represent a further formal indication of the tacit recognition by the Government of China of the existence in Manchuria of a non-Chinese regime
of

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

- 8 -

of some permanence.

Respectfully yours,

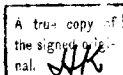
F. P. Lockhart,
American Consul General.

Enclosures

1/. Excerpt from NORTH CHINA STAR,
January 9, 1935.

800
RSW:HK

Original and two copies to Legation.
In quintuplicate to Department under cover
of despatch No. D-693 of January 12, 1935.



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

NORTH CHINA STAR
Tientsin, China, January 9, 1935.

TEXT OF POSTAL AGREEMENT

Enclosure No. 1 in 1
No. 855, Dated Jan. 12, 1935
From the American Consulate General
at Tientsin, China.

- Art.1. Following the restoration of postal communication between China Proper inside the Great Wall and the Northeastern provinces, the handling of mail matters shall be entrusted to an agency to be jointly organized by the Chinese and Japanese postal authorities. This agency shall establish a mail transmitting office at Shanhaikwan and Kupeikow respectively to undertake the work.
- Art.2. Postage stamps and covers of mail matters shall not bear the mark of "Manchukuo".
- Art.3. In marking dates and years on stamps and covers of mails, the Western Calendar shall be adopted.
- Art.4. The charges for mail matter shall be collected according to existing postal regulations of the respective parties concerned.
- Art.5. In regard to stamps, the Japanese side shall issue a special kind of stamps for the purpose and the use of any other kind shall not be permitted.
- Art.6. Restoration of ordinary mails shall start from January 10, while postal money orders and parcel posts shall be accepted from February 1.
- Art. 7. Mails to Europe and America via Siberia shall be restored.
- Art.8. This agreement shall not be changed or altered without the concurrence of both the parties concerned.

TELEGRAM RECEIVED

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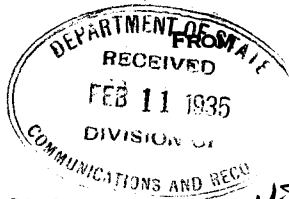
SPECIAL GRAY

Nanking via N. R.

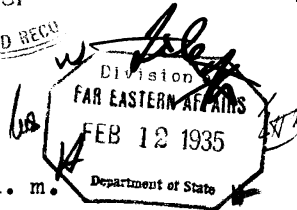
Dated February 11, 1935

Rec'd 2:15 p. m.

1-4236



Secretary of State,
Washington.



28, February 11, 11 a. m.

One. The French Minister told me February 10, 7 p. m. that he had received a visit from Suma with whom he had talked for almost two hours. Apparently Suma spoke with his usual frankness for he told the Minister that China not only is not organized as a state now but that it never was and never would be. He attributed this partly to the individualistic character of the Chinese which leads them to be indifferent to matters of public concern and partly to their alleged complete lack of idealism. He said that if Chiang Kai Shek should die or fall from power the only man in the whole country who could take his place would be the Kwangsi leader Pai Chung-Hsi and that since Pai has tuberculosis he would not last more than two years.

Two. Suma said that during the recent visit of Chiang to Nanking he had told Chiang frankly that China must

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2-#28, From Nanking, Feb. 11, 11 a.m.

must be not only the friend of Japan but the special friend and had asked him whether he understood this to which Chiang had returned his usual noncommittal grunt which is his habitual device for avoiding affirmative or negative responses.

Three. Suma is constantly reiterating to Chinese and foreigners alike that it is China's destiny to be linked closely with Japan and he recently expressed the opinion that the Chinese leaders are slowly beginning to realize this (a Chinese newspaper representative informed me February 9, 4 p. m. that he had heard that Chiang and Wang Ching Wei had adopted the practice of replying to all Japanese arguments like the above with polite assent and had refused to be drawn into discussion).

Four. It will be noticed that Suma's emphasis on the inevitable close association between Japan and China agrees with the tenor of press despatches from Japan purporting to record the views of the Japanese Minister and other Japanese statesmen. It is becoming a real question whether the constant iteration of this statement will not soon begin to carry some

conviction

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

REF

3-#28, From Nanking, Feb. 11, 11a.m.

conviction to Chinese leaders in Nanking and even to the Chinese public especially in the light of the apparent absorption of America and Europe in their own problems and their diminished interest in the economic and political affairs of the Far East. The proper classification of officials in Nanking as pro-Japanese or pro-European and American reflects the traditional Chinese view that internationally China cannot stand on its own feet but must place reliance either on Occident or on Japan.

PECK

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

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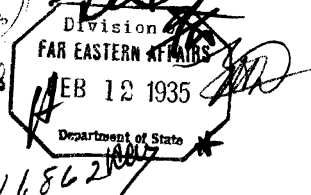
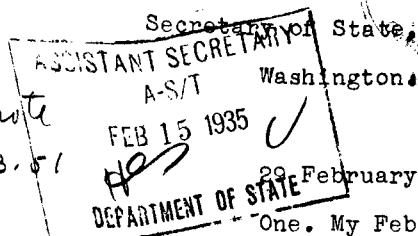
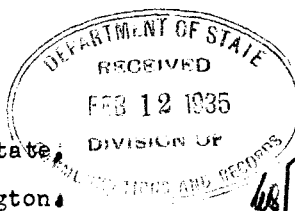
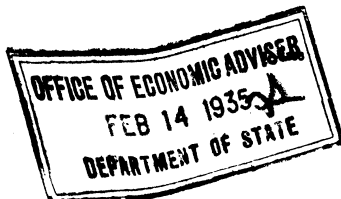
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Gray

Nanking via NR

Dated February 12, 1935.

Received 8:40 AM



Secretary of State, Washington
29 February 12, 3 p.m.

One. My February 9, noon, paragraph three; and my February 11, 11 a.m., paragraph four. Interesting commentary is to be found in the following excerpts from news despatch dated Tokyo February 11.

"The part played by Chekiang bankers behind the scenes in bringing about the present Sino-Japanese rapprochement cannot be ignored, said Mr. Yokotake, Japanese commercial counselor, when interviewed by the press upon his arrival from Shanghai today.

'China seems wearied of her eternal policy of playing one nation against another, which never benefits her,' Mr. Yokotake stated. 'It is quite natural that China should look to Japan now that Britain and the United States have both deserted that country.' The proposal of a Japanese loan to China, Mr. Yokotake said, was not favored in financial circles at Shanghai. He advocated the promotion of Sino-Japanese trade and the sending of agricultural and industrial experts to China with a view to increasing her purchasing

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

Page 2 from Nanking No 29.

purchasing power as a great potential market for Japanese goods, while Japan should buy cotton from China."

PECK

WSB

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

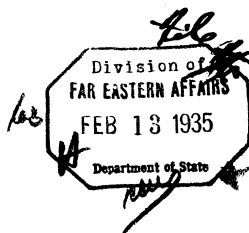
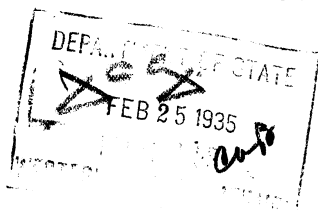


EMBASSY OF THE
UNITED STATES OF AMERICA

No. 936.

Rome, January 28, 1935.

Subject: Conversation with Chinese Ambassador to Italy.



5
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DEPARTMENT OF STATE

FEB 12 AM 11 23

COMMUNICATIONS
AND RECORDS

The Honorable

The Secretary of State,
Washington, D.C.

Routing Instructions	Distribution Instructions
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793.94/6867

Sir:

I have the honor to inform the Department that I had a conversation today with the Chinese Ambassador, recently raised from the rank of Minister, who came to see me to make his formal call as Ambassador. In the course of conversation we discussed China. He said that China was progressing economically, politically and financially; that they were working and coordinating and were greatly improving their internal position; and that they had the policy constantly in mind of some day winning back the lost territory of Manchukuo even though at the present time the Japanese army was making further inroads to Inner Mongolia. The Ambassador likened the province of Manchukuo to the French loss

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- 2 -

loss of Alsace Lorraine in 1871. He said that France continued her way and eventually was able to retake from her conqueror the lost territories; that so the Chinese Government felt about Manchukuo, and that after they had solidified their position at home and had become well organized and strong internally, some time in the future they would be able to claim again the territories which Japan had broken away from China.

The Chinese Ambassador said that American aviation was making progress in China and that a great many American aviators were employed there in teaching the Chinese. He expressed great satisfaction with the work the American planes were doing in China, bringing distant parts of the country into communication, and said that he expected that the gradual extension of aviation throughout the country would be a large factor in solidifying it. He expressed great admiration for the American airplane.

The Ambassador said that China was gradually overcoming the Communist influence, which was now confined to Szechuan.

He said that China had only two Ambassadors, one at Moscow and one at Rome, and that neither Germany nor Japan had sent Ambassadors to China.

Respectfully yours,


Breckinridge Long.

BL/ajl
710.

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

THE SECRETARY OF THE TREASURY
WASHINGTON
RECEIVED
THE UNDER SECRETARY DEPARTMENT OF STATE
FEB 6 - 1935
February 5, 1935.
DEPARTMENT OF STATE
1935 FEB 12 AM 10 39

DIVISION OF
COMMUNICATIONS
AND RECORDS

Division of
FAR EASTERN AFFAIRS
FEB 13 1935
Department of State

My dear Mr. Phillips:

793.94/6846

Receipt is acknowledged of your confidential
letter dated February 1st, quoting a telegram in
part recently received from the Nanking office of
the American Legation.

Sincerely,

John M. Phillips

Hon. William Phillips,
Under Secretary of State,
Washington, D. C.

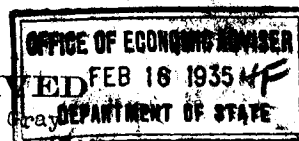
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Department of State letter, August 10, 1972
By Milton D. Quatefen NARS, Date 12-18-75

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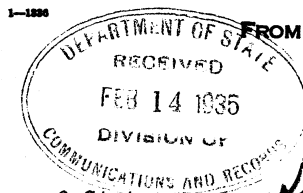
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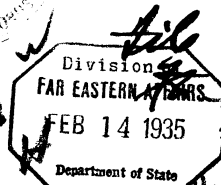
Nanking via NR

Dated February 14, 1935

Received 8 AM



Secretary of State,
Washington.



32 February 14, 4 p.m.

On the evening of February 13 the Acting Minister for Foreign Affairs gave an interview to a group of Chinese newspaper representatives. As reported to me orally, they asked him whether the Japanese Minister for Foreign Affairs was coming to China and he replied evasively. They called attention to the reports of proposals made to China by Japan for economic cooperation and asked him what his attitude was. He replied that the primary essentials for China at present are peace and reconstruction and he said that the Chinese Government would be willing to accept economic assistance from any nation which offered it on a basis of equality and reciprocity.

PECK

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

DOCUMENT FILE

NOTE

SEE 894.20/133 FOR #3279

FROM China (Gauss) DATED Jan. 18, 1935.
TO _____ NAME _____ 1-1127 ***

REGARDING:

Japanese Military Conference at Dairen on January 4 and 5, at which time dissatisfaction with Chiang Kai-shek was expressed by officers present, and China was accused of failing to carry out some of the pledges of the Tangku Truce.

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

DOCUMENT FILE

NOTE

SEE 500.A 4 B/647 FOR despatch # 939
FROM Italy (Long) DATED Jan. 31, 1935
TO NAME 1-1127 ***

REGARDING: Present situation in the Far East. Transmits summaries of Italian editorials upon the - brought about by the denunciation of the Washington Naval Treaty by Japan.

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

DOCUMENT FILE

NOTE

793.94

SEE 841.00 P.R./373 FOR #1192

FROM Great Britain (Atherton) DATED Jan.28,1935
TO NAME 1-1127 ...

REGARDING:

Relations between Japan and China.
Editorial comment as to efforts of the Japanese to
expand Manchukuo by an attack on the Mongolian Province
of Chahar, to the west of Jehol.

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

Japan.

The efforts of the Japanese to expand Manchukuo by an attack on the Mongolian Province of Chahar, to the west of Jehol, has been noted in all the newspapers, but has called forth comparatively little editorial comment. Yesterday's OBERVIEW, however, says that "In the opinion of Tokyo, Britain and America will continue to fumble, and perhaps blunder, without coming to any plain understanding about their identical interests in China; or

about/

about the agreement with Russia which is indispensable to any efficient policy....it was clear to far-sighted realists that Japan would make another bold move. It has been made and will not be the last. After Manchukuo, Mongolia....Nothing can control the Far Eastern situation nor prevent its ominous development but solid understanding between America, Britain and Russia. This without prejudice to the existing position of Japan, whether we like her latest aggrandizement or notAnglo-American statesmanship floats in a pitiable water of indecision. Neither London nor Washington is clear and resolved as to the necessity of a firm defensive agreement with each other, and of both with Moscow." The MANCHESTER GAZETTE believes that the reason for the latest Japanese advance "may be divided between the Japanese belief that gold is to be found in that area and a general desire to round off more neatly the great wedge that Japan has driven between Soviet Russia and China." On the other hand the DAILY MAIL reverts again to its pro-Japanese policy, and regrets that Mr. Lloyd George should have given expression on Saturday "to such nonsense as the suggestion that with the United States we should adopt some kind of policy - which he did not define - against Japan....Neither with nor without the United States are the people of Britain going to allow any British Government to embark on any provocative policy against our old ally. The British people wish Japan well in her efforts to expand her

influence/

-14-

influence in Northern China." (See Embassy's despatch No. 1178 of January 22, 1936).

In a speech in Manchester on January 25th, Mr. Guy Leacock, Director of the Federation of British Industries, revealed that the F.B.I. Mission to the Far East last year was undertaken on the intimation from Japanese sources that there was a volume of opinion in Japan which did not like the growing tension between the two countries, and the suggestion that the new state of Manchukuo might offer an opportunity of co-operation. "Britain can look forward," he said, "to a big increase in Manchukuo's demand for capital goods for the reconstruction of the country. Japan will supply a great deal, but Japan cannot supply the whole."

A striking indication of the strides made by Japanese exports in British markets overseas is the fact that during 1934 exports from Great Britain to Hongkong, according to the Daily Mail, fell below those of Japan for the first time in history.

Admiral Yamamoto, Chief Naval Representative on the Japanese Delegation in the recent naval discussions, left London today. It is reported that he is scheduled to have several talks in Berlin before returning to Japan via Warsaw and Siberia.

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

DOCUMENT FILE

NOTE

SEE 893.00/12946 FOR Tel. #66-2pm.

FROM China (Gauss) DATED Feb. 7, 1935.
//19// NAME 1-1127 ***

REGARDING: Sino-Japanese relations: In connection with the rumored and projected rapprochement between China and Japan, reports it is thought Japanese pressure on Nanking will be somewhat relaxed, the Japanese being content to see the situation move slowly but steadily to the re-adjustment in Sino-Japanese relations.

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REF

SPECIAL GRAY

Peiping via N. R.

Dated February 7, 1935

Rec'd 6:25 a. m.

Secretary of State,
Washington.

66, February 7, 2 p. m.

From a source which I regard as both well informed and reliable, I learned that a decision was recently made by Chiang Kai Shek to effect the following changes in North China: One. Yen Hsi Shan to come to Peiping in about March as chairman of the branch Military Council. After his arrival, General Ho Ying Chin, Minister of War, now head of that Council, to return to Nanking. Two. The Peiping branch Political Council to be dissolved, and General Huang Fu not (repeat not) to return to Peiping but to remain at Nanking as Minister of the Interior. Three. Most of the former Mukden troops (?) the north to be transferred to the region of Ichang, on the Yangtze. Chang Hsueh Liang to move his headquarters from Hankow to Ichang and to engage in the campaign against the communists in Schezwan.

Two. From the same source I learn Chiang Kai

Shek

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2-#66, From Peiping, Feb. 7, 2 p. m.

Shek will remove his headquarters from Nanchang to Hankow, where he can direct the campaign in Szechan and at the same time be prepared to deal with the Southwest if necessary. No rapprochement between Nanking and the Southwest having actually been effected.

Three. The appointment of Yen Hsi Shan as the principal Government representative in North China would place Sino-Japanese affairs in this area in the hands of an official of known Japanese leanings. I am told that the appointment has Japanese approval.

Four. I have confidence in the information given by my informant but at the same time I should report that there are disinterested Chinese observers in whose judgment the Legation also has confidence who do not believe that Yen has been or can be persuaded to leave Shansi Province and take up a post at Peiping.

Five. If the changes outlined in paragraph one are effected they may be regarded as further indication of a gradual yielding by Chiang Kai Shek and his group in the National Government to Japanese pressure. The
changes

REP

3-#66, From Peiping, Feb. 7, 2 p. m

changes would of course be accompanied by an extensive replacement of officials and the shifting of troops.

Six. General Chiang Kai Shek has recently left Nanking for Kuling and Nanchang and it is reported that he may fly to Chungking. I consider that for the present the Japanese pressure at Nanking will be somewhat relaxed and that the Japanese will be content to see the situation move slowly but steadily in the direction they desire with a more conciliatory and friendly attitude on the part of the Chinese leaders as shown in General Chiang's press interview reported in the Legation's 60, February 3, 3 p. m. We may expect to see the gradual replacement of officials at Nanking by persons acceptable to Japan such as General Huang Fu who has been appointed Minister of the Interior and has also been mentioned for the post of Minister of War. And it may be anticipated that at an opportune moment China may be persuaded to find occasion to withdraw from the League and to dispense with the services of the League advisers. Both Japanese and Chinese leaders probably realize, however, that the readjustment in Sino-Japanese relations must be most gradual.

GAUSS

WSB

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

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

TELEGRAM RECEIVED

FS

GRAY

Tientsin via N. R.

Dated February 15, 1935

Rec'd 7:58 a.m.

1-1000
DEPARTMENT OF STATE
RECEIVED
FEB 15 1935
DIVISION OF
COMMUNICATIONS AND RECORDS
Secretary of State,
Washington.

Division of
FAR EASTERN AFFAIRS
FEB 15 1935
Department of State

February 15, noon.

One. Major General Doihara left Tientsin February

13 for Tsingtau, Shanghai and Nanking. Confidential authoritative sources allege his mission to be as follows: As a representative of Kwantung army to assure Chinese authorities that Kwantung army will not come south of Great Wall and in the interest of Sino-Japanese relations to investigate boycott and other conditions throughout North and Central China and to cultivate good feeling.

Two. Doihara while in Tientsin was cordially received and entertained by Chinese officials, but whether any fresh settlements or decisions as a result of conferences with North China leaders were reached has not been officially revealed but indications are that discussions took place on issues involving so-called demilitarized zone such as activities of ruffians in zone, retrocession of Malanyu and replacement of armed police. Unconfirmed newspaper reports state today, however, that agreement on policy of this Government of demilitarized zone and type

of arms

793.94/6874

F/A

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

FS 2-February 15, noon, from Tientsin

↑ of arms to be used have since been concluded.

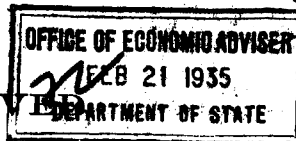
Three. Careful investigations here fail to confirm Shanghai press reports of revolt of Manchukuo troops stationed at Chinchow although well informed Chinese admit possibility of bandit disturbances near that city which is center of such activities. Copy to Legation.

CSB

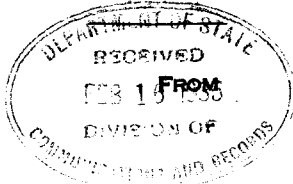
LOCKHART

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

TELEGRAM RECEIVED



RB

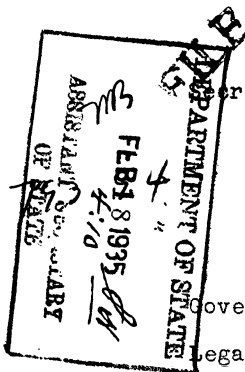


GRAY

Tientsin via N. R.

Dated February 16, 1935

Rec'd 6:20 a. m.



Secretary of State

Washington.

February 16, noon.



FEB 19 1935

Rengo despatches published today state that Chinese

Government has decided to overlook reflection to its

Legation at Tokyo and that Foreign Office at Tokyo has

requested interested government departments there, as

well as various public bodies concerned, to submit plans

for Sino-Japanese economic collaboration and that Foreign

Office will draw up concrete plan after receiving their

recommendation. Copied to Legation.

LOCKHART

CSB

793.94/6875

FEB 21 1935

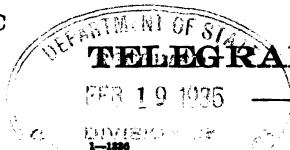
FILED

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12

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

WWC



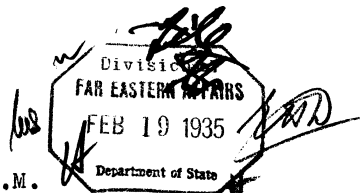
TELEGRAM RECEIVED

COPIES SENT TO
Gray, O.N.I. AND M.I.D.
Shanghai via N.R.

Dated February 18, 1935,

FROM
Rec'd 10:35 A.M. 19th.

Secretary of State,
Washington D.C.



73. February 18, 4 P.M.

Major General Kenji Doihara well known Japanese militarist arrived from Japan on the 16th. He called yesterday upon Mayor Wu Te Chen and General Huang Fu chairman of the political affairs readjustment committee of Peiping. He is quoted in the press as emphasizing that all anti-Japanese activities in China must be discontinued before a sino-Japanese agreement can be reached. Repeated to Legation.

CSB.

CUNNINGHAM.

733.94/6876

FEB 20 1935

FILED

F/g

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

March 6, 1935

ASST

~~ASST~~

To note Mukden's
of Jan. 21, 1935,
brief despatch in regard
to the evacuation from
"manchukuo" of Chinese
Troops under General Sung
Che-yuan. The despatch
is somewhat more
comprehensive than
the first paragraph of
Peiping's Telegram No
30 of January 19, 1935 (attached)
reporting on this incident.

rw

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

March 6, 1935

~~MSA~~
~~MSA~~

To note Mukden's
brief despatch ^{of Jan. 21, 1935,} in regard
to the evacuation from
"Manchukuo" of Chinese
Troops under General Sung
Che-yuan. The despatch
is somewhat more
comprehensive than
the first paragraph of
Peiping's telegram No
30 of January 19, 1935 (attached)
reporting on this incident.

rw

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

No. ---.

AMERICAN CONSULATE GENERAL

Mukden, Manchuria, January 21, 1935

SUBJECT: Evacuation from "Manchukuo" of Chinese Troops
... under Sung Che-yuan.

THE HONORABLE

THE SECRETARY OF STATE

WASHINGTON.

For Distribution-Check		Yes	No
Grade	M		<input checked="" type="checkbox"/>
For	Berninghoff	<input checked="" type="checkbox"/>	
		ONI	MID

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

I have the honor to enclose a copy of my despatch
No. 42 to the Legation at Peiping, dated January 21,
1935, entitled "Evacuation from 'Manchukuo' of Chinese
Troops under Sung Che-yuan."

Respectfully yours,

J. W. Ballantine
J. W. Ballantine,
American Consul General.

Enclosure:

Despatch No. 42, as stated.

SCC
MB:mhp

793.94/6877

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

No. 42.

AMERICAN CONSULATE GENERAL

Mukden, Manchuria, January 21, 1935.

SUBJECT: Evacuation from "Manchukuo" of Chinese
Troops under Sung Che-yuan.

Clarence E. Gauss, Esquire,

American Chargé d' Affaires ad interim,

Peiping, China.

Sir:

793.94/6831

I have the honor to refer to my telegram of January 18, 4 p.m., stating that an ultimatum had been issued by the Japanese military authorities to Chinese troops in western Jehol to withdraw into Chahar, and to quote below a translation of an item which appeared in the HOTEN MAINICHI (Japanese) on the evening of January 20.

"Peiping, January 20. Urgent.
Sung Che-yuan, finally acceding to our strong demands, has decided to return immediately to Chahar and to withdraw his troops from Jehol."

The Mukden military authorities have not yet been able to confirm this report, but they believe it is true, and state that as soon as the Chinese forces have withdrawn the incident will be considered closed.

According to an oral statement from official Japanese sources, the troops under Sung Che-yuan have been in "Manchukuo" territory ever since the became a part of the country, despite repeated requests to evacuate. One observer suggests that Sung has been vacillating in his allegiance between China and "Manchukuo", and that as long as there was

- 2 -

a chance of his Mongolian irregulars becoming a part of the "Manchukuo" Army, their presence within the national boundaries was tolerated.

1/-

According to THE NORTH CHINA STAR of January 19, 1935 there is a dispute concerning the boundary between "Manchukuo" and China. Press reports here, as indicated in the enclosed items copied from Kokutsu of January 19, 1935, make no mention of a dispute, but categorically state that the territory in question belongs to "Manchukuo". In that connection, it is interesting to note that on the two "official" maps now in the possession of this office, a strip of land running southeast from Chuhsikao (榆石口) north of the Great Wall is placed in "Manchukuo" on one, and in China on the other.

Respectfully yours,

JOSEPH W. BALLANTINE

J. W. Ballantine,
American Consul General.

Enclosure.

1/- Copy of items appearing in Kokutsu, as stated.

Five copies sent to Department by despatch No. ---
dated January 21, 1935.
Copy to Embassy, Tokyo.
Copy to Consulate General, Harbin.

800
HMB:mhp

A true copy of
the signed original.
WHP

Enclosure to despatch No. 42 of J. W. Ballantine,
American Consul General, Mukden, Manchuria, dated
January 21, 1935, to the Legation, Peiping, on the
subject "Evacuation from 'Manchukuo' of Chinese
Troops under Sung Che-yuan".

SOURCE: MANCHOUKUO NEWS SERVICE
Hsinking
January 19, 1935

(COPY)

ULTIMATUM SERVED ON SUNG CHE-YUAN
EXPLAINED BY KWANTUNG ARMY

HSINKING, January 19 (Kokutsu)-

The Kwantung Army Headquarters at 8 p.m. yesterday made an announcement giving its reasons for its decision to shortly launch a campaign to drive out Sung Che-yuan's army from Fengning-hsien, Manchoukuo. The announcement states that this decision has been unavoidable as the Chinese authorities have not as yet ordered Sung Che-yuan and his troops to evacuate Fengning-hsien despite repeated requests to that effect from the Kwantung Army in the past. Moreover, the Chinese authorities about the 12th of this month increased the cavalry and trench mortar corps in the vicinity of Changliang, which is located approximately 10 kilometres south-west of Tatan in Manchoukuo territory. In addition the peace preservation corps in each district were increased. Further, on January 15 about one company of Chinese cavalrymen entered a district near the Wuni River and attacked a Manchoukuo self-defence corps numbering about 40 men, carrying away with them a number of captives.

In view of the above circumstances, the Kwantung Army authorities state that in accordance with the Japan-Manchoukuo Protocol which provides for the mutual defence of the two countries, they feel it urgent to drive out Sung's army from Manchoukuo territory and restore Manchoukuo's administration to normal conditions.

KWANTUNG ARMY TO COMMENCE
MILITARY ACTION TOMORROW

HSINKING, January 19 (Kokutsu)-

It is understood that the Kwantung Army will commence military action tomorrow to drive out Sung Che-yuan's army from Fengning-hsien, Jehol Province. A combined land and air attack will be made against Sung and his troops.

DECLASSIFIED: E.O. 11652, 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

February 26, 1935.

~~MM:~~ *Concurrence M.M.H.*
~~SKH:~~ *77*

Shanghai's strictly confidential telegram No. 81, February 21, 3 p.m., in regard to a proposed secret agreement found in the files of an undisclosed Chinese official, which agreement in brief provides for a large measure of Japanese control over the production, distribution and financing of cotton in China, --

As it would appear that the agreement, a copy of which was given to Mr. Cunningham by Mr. Soong, is only a tentative proposal which was not even brought to the attention of any official Chinese organization, and as Soong's action in the matter smacks of propaganda, it is believed that no action is required of the Department, at least until such time as the full text of the agreement has been received by mail.

RCM

RCM:EJL

TELEGRAM RECEIVED

BC

This telegram must be
closely paraphrased be-
fore being communicated **FROM**
to anyone (A)

Shanghai

Dated February 21, 1935

Secretary of State,
Washington.

81 February 21, 3 p.m.

STRICTLY CONFIDENTIAL.

One. T.V. Soong has given me a copy of a proposed
agreement between China and Japan which briefly provides
for the establishment of a cotton commission and a
Sino-Japanese cotton bank whereunder the production,
distribution and financing of cotton will be largely
in the hands of Japanese. The agreement is so worded that
the actual control will be in a person nominated by the
Japanese Government.

Two. This secret agreement which was found in the files
of an undisclosed pro-Japanese Chinese official and which
came to Soong by a confidential channel is said to be
only a proposal and it is not claimed that the agreement
has been brought to the attention of the Economic Council
or other official Chinese organization. Soong, in giving
full approval that information about agreement and as to
his comments be confidentially transmitted to Department
and Legation

Received 6:44 AM

RECEIVED

FEB 21 1935

DIVISION OF

Division of
FAR EASTERN AFFAIRS

FEB 21 1935

Department of State

OFFICE OF ECONOMIC ADVISER
FEB 28 1935
DEPARTMENT OF STATE

793.94/6878

FILED

MAR 5 1935

F/G

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

Page 2 from Shanghai No 81

and Legation by telegraph and despatch, suggests that direct or indirect pressure may be brought to establish this draft agreement as a Japanese demand at a suitable time.

Three. Full text of agreement with Soong's comments being transmitted by next pouch.

Repeated to Legation.

CUNNINGHAM

WSB

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

KLP

TELEGRAM RECEIVED

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

Nanking via N. R.

FROM

Dated February 21, 1935.

Rec'd. 11:35 a.m.

RECEIVED
FEB 21 1935
DIVISION OF STATE

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

Secretary of State, *la*
Washington.

Division
FAR EASTERN AFFAIRS
FEB 21 1935
Department of State

37, February 21, 4 p.m.

My 28, February 11, 11 a.m. / *6643*

OFFICE OF ECONOMIC ADVISER
FEB 28 1935
DEPARTMENT OF STATE

793.94

793.94/6879

One. I respectfully invite the Department's
attention to published accounts of address delivered by
the Chin^{ese} Minister for Foreign Affairs to the Central
Political Council on December 20 described by him as an
explanation of China's policy toward Japan. The address
advanced various reasons for special friendship between
the two countries including sentiments uttered by Sun
Yat Sen in a speech delivered at Kobe, 1924.

Two. Press reports here are to the effect that
Wang Chung Hui called on the Japanese Premier and Minister
of War on February 20th.

Three. Report not yet confirmed has been received
that the Japanese Government has extended an invitation
to the Chinese Government to send an economic mission to
Japan and that the Chinese Government will find it im-
possible to refuse.

note
693.9431

HPD

PECK

F/G

FILED
MAR 1 1935

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

TELEGRAM RECEIVED

REP

1-1220

FROM

GRAY & SPECIAL GRAY

Peiping via N. R.

Dated February 21, 1935

Rec'd 1:35 p. m.

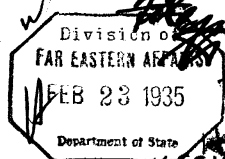
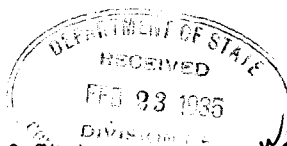
Secretary of State,
Washington.

84, February 21, noon.

Reference Legation's telegram 60, February 3,
3 p. m. and paragraph 6 of telegram 66, February 7,
2 p. m. 893.00/12946

According to Chinese News Agency Wang Ching Wei spoke February 20, on Sino-Japanese relations before Central Political Council. Referring to speech of January 21 of Japanese Minister of Foreign Affairs, Wang stated that China chooses, under the principles of equality and mutual assistance, to maintain and promote friendly and peaceful relations with any country, "not to mention a neighbor like Japan whose geographical, historical, cultural, and racial relationship with this country is so closely bound." Wang recalled with emphasis that Sun Yat Sen had said at Kobe in 1924 that Japan and China should work hand in hand. Wang said that this was the basis of Sun's Sino-Japanese policy

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793.94/6880

FILED

FEB 24 1935

793.94

REP

2-#84, From Peiping, Feb. 21, noon.

policy throughout his life. Wang recalled the sympathy of Japanese for China down to the revolution, mentioned the unfortunate complications which have developed during the past twenty years, and stated that he believes these complications can be solved by mutual sincerity. Again referring to Hirota's speech, Wang said that "now that China and Japan have expressed their common desires, it is a matter of great rejoicing for us that by dint of mutual efforts Sino-Japanese relations will henceforth have an opportunity to improve as well as to be restored into regular channels." He further expressed the wish to solve all complications sincerely and pacifically so that all mutual suspicions and all speeches and actions, repulsive and detrimental, might gradually be eradicated and so that the hope of close friendship as emulated by Sun Yat Sen might be realized.

This speech appears to be yet another cautious move in the regimentation of public opinion toward acceptance of Sino-Japanese "cooperation". With regard to Chinese feeling not much ^{outspoken} ~~is~~ expression in the press

can

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

REP

3-#84, From Peiping, Feb. 21, noon.

can be anticipated because of government control. Comment which has appeared so far has been critical of and unsympathetic toward Japan. The intelligent Chinese of Peiping show acquiescence in or resignation to the inevitableness of Japanese domination over China for the next generation or two. It is believed that recent developments have caused apprehension among western educated Chinese with reference to their future influence and position in the Government and their participation in the development of China. The Legation will continue to watch Chinese reaction.

Sino-Japanese conversations apparently are continuing at Shanghai and Nanking, the latest Japanese participant being the well known Major General Doihara who already conferred with Wang Ching Wei.

For the Minister

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

March 5, 1935

MSM
EHD
M/H

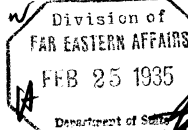
Stranghairs dispatch
no 9849 of Jan 29, 1935,
briefly summarizes
vernacular press
comments on the
recent Chahar incident.

EW

NO. 9849

AMERICAN CONSULATE GENERAL,

Shanghai, China, January 29, 1935.



SUBJECT: Vernacular Press discusses
the Chahar Incident.

For Distribution Check		Yes	No
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For	Reed	<input checked="" type="checkbox"/>	
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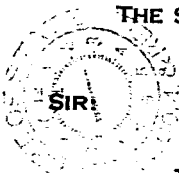
THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

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

AM RECD



1032333

I have the honor to refer to this Consulate

General's despatch No. 9843 of January 26, 1935,
transmitting a summary of the comments in the ver-
nacular press anent the address delivered by Mr. K.
Hirota, Minister of Foreign Affairs, before the
Imperial Diet, and to supplement that summary with
the following pertinent comments of the vernacular
press in regard to the recent Chahar incident.

The SIN WAN PAO, the CHEN PAO, and the SHUN PAO
(Chinese independent dailies) of January 26, 1935,
are quoted as follows:

The SIN WAN PAO expresses great surprise that
fighting and aerial bombardment have been going on
since the 22nd despite the denials and explanations
of the Japanese. Although Japan is known for its
practise of "double diplomacy", namely, the irrecon-
cilability

793.94/6881

FILED

1032333

F/G

-2-

oilability of the actions of the warlords and the protestations of the diplomats, the journal observes that in the present instance the circumstance of the Chahar adventure is denied by both military and diplomatic circles, notwithstanding the actuality of bursting shells and roaring cannon. The action of the Japanese military is condemned as being entirely unjustifiable and contrary to international law - since within the bombarded areas are villages undefended by Chinese troops and occupied by innocent civilians. Exception is taken to Japan's arrogant failure to invoke diplomatic means of settlement of the problem and the hope is expressed that the military officers responsible for the offensive, after peaceful negotiations had been opened, should be held strictly accountable for the aggravation of the situation. In conclusion, the journal asserts that the future improvement of Sino-Japanese relations will depend upon the contrition of the Japanese and any further recourse to coercion and force, as in the case of Chahar, will vitiate any hope of peace and friendship.

The CHEN PAO (Morning Post) heads its editorial "The Chahar Incident Amidst Cries for Friendly Relations", wherein it is stated that the world is amazed and the Chinese nation is aggrieved by the invasion of Chahar by the Kwantung Army at a time when Tokyo is prating of its efforts to create an atmosphere of amity in its relations with China. Even though the warlike operations were justified, the POST continues, persons who anxiously anticipate a readjustment of Sino-Japanese relations

-3-

relations cannot but be perturbed at the loosing of the dogs of war where the welfare of the people is so deeply concerned. For the sake of peace in Eastern Asia, the fact is deplored that instead of settling a local matter through the proper diplomatic channels the Kwantung Army has resorted to the force of arms. The maps will easily show whether or not Kuyuan and Tungshantze are parts of Jehol and unbiased observers will be able to testify whether or not General Sung Che-yuan's men initiated the offense. It is the opinion of the POST that the forcible entry into the territory of one country by troops of another is in no case permitted by international comity or sanctioned by the law of human relations. If the confidence of the Chinese nation is to be secured and the approval of the world won, the Japanese Government should issue strict instructions to the Kwantung Army to cease military operations at once and to relinquish the problem into the hands of Chinese and Japanese diplomats.

The SHUN PAO informs its readers that, based on the Kwantung Army's report, the Japanese Foreign Office has instructed its diplomats abroad to spread the information that Chinese troops are responsible for the Chahar incident. The journal remarks that this untruthful contention, if persisted in, will render difficult the solution of Sino-Japanese issues which have arisen since the September 18th coup. After denying the report that Chinese troops have infested the border regions of Jehol, it is stated that the inconsistency between the activities of the Japanese military

-4-

military and the utterances of the Japanese diplomats will not only handicap future negotiations for amicable cooperation but will also nullify the progress already made to this end. Since China has conducted herself equanimously and patiently for the sake of peace, Japan should be urged to examine the Chahar affair composedly and without recourse to force, which recourse will but aggravate the situation. In conclusion, the editor asserts that, if China is unable to get peace after so many sacrifices have been made, she will do what is necessary in self-defense, inasmuch as the Chinese nation is not behind others in patriotism.

The various independent dailies sounding the keynote of divergence between Japanese military action and Japanese Foreign Office statements, which has become so frequent as to cause no great surprise to foreign observers, it remains for a Kuomintang organ, the SHIH SHIH HSIN PAO, to suggest that the "National policy should be a defense of the land by the Chinese national forces."

It is interesting to note, an illuminating commentary on the "double diplomacy" of Japan, that Mr. Hirota continues to declare that peace is the aim of Japan and that Tokyo is striving to effect a better understanding with China while the Japanese army and its "Manchukuo" ally continue to foment trouble. Thus,

in

-5-

in the headlines of the CHINA PRESS (Chinese) of
January 29, 1935, side by side appear "Peace Aim Of
Nipponese Again Voiced - Hirota Says Japan Has Vested
Mission to Keep Peace in East" and "Chinwangtao, Peiping
Tense With Fears of New Japan Aggression."

Respectfully yours,

Edwin S. Cunningham

Edwin S. Cunningham,
American Consul General.

CSR:NLH
800

In quintuplicate
Copy to American Legation, Peiping
Copy to American Embassy, Tokyo

x

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS
March 4, 1935.

~~MSM:~~

~~SJP:~~

~~MMH:~~

~~SAAH-~~

See first paragraph, page 2.

Nanking's despatch of January 23, 1935, in regard to Sino-Japanese relations.

No action required.

The despatch reports statements made to Mr. Peck by an important official of the Foreign Office with a view to pointing out that the Vice Minister for Foreign Affairs, Mr. Tang Yu-jen, was pro-Japanese in attitude. I suggest that the passages marked on pages 1, 2 and 3 be noted.

ew
EW/VDM



LEGATION OF THE
UNITED STATES OF AMERICA

Nanking Office,
January 23, 1935.

Division of
FAR EASTERN AFFAIRS

FEB 26 1935

Department of State

Copy in FE
Am. 386

CONFIDENTIAL

Subject: Sino-Japanese Relations.

The Honorable

The Secretary of State,

Washington.

Sir:

1/

I have the honor to enclose herewith a copy of my
confidential despatch to the American Legation at Peiping
No. L-577 Diplomatic, dated January 23, 1935, on the
subject indicated above.

Respectfully yours,

Willys R. Peck

Willys R. Peck,
Counselor of Legation.

MAR 25 1935

FILED

Enclosure:

1/ As stated.

Original and four copies to the Department.

HC

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JM

793.94/6882

F/FG.

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

L-577 Diplomatic /

Nanking Office,
January 23, 1935.

CONFIDENTIAL

Subject: Sino-Japanese Relations.

C. E. Gauss, Esquire,

American Chargé d'Affaires, ad interim,

Peiping.

Sir:

The reports have been so persistent for about three weeks that the Japanese Government is attempting to induce the Chinese Government to conclude an "offensive and defensive alliance", or otherwise give some positive indication of adopting a policy amenable to Japan, that during a conversation today with an important official of the Foreign Office I frankly mentioned the reports that had reached me and asked whether they had any basis in truth.

My informant replied by saying that he did not know the answer to this question. He pointed out, however, that the Administrative Vice Minister for Foreign Affairs, Mr. Tang Yu-jen, is now spending about three days each week in Shanghai, where he has contact with Japanese officials and that on his return he reports orally to Dr. Wang Ching-wei, Acting Minister for Foreign Affairs, and now that General Chiang Kai-shek and General Huang Fu are in Nanking, to them, as well. Consequently the Ministry is without record of what Vice Minister Tang is doing in Shanghai and being able only to conjecture what

he

-2-

he is talking about with the Japanese authorities, is very dissatisfied with the Vice Minister.

My informant said that of the pro-Japanese sympathies of Vice Minister Tang there can be no doubt. One proof was afforded in connection with several recent seizures by the Peiping police of opium and narcotic drugs in the hands of Japanese or Korean subjects. The reports of these seizures have been most detailed and are irrefutable. The Japanese military authorities have forcibly intervened to protect their nationals in these illicit activities. Mr. Victor Hoo, China's delegate at Geneva, telegraphed asking the Ministry to give him these details for appropriate use and my informant prepared a telegram in reply giving all the data. Vice Minister Tang had the opportunity to scrutinize the telegram and ordered that there should be no specific mention of Japan or Japanese nationals, but that there should be used in substitution such phrases as "a certain foreign country".

Another proof of Vice Minister Tang's pro-Japanese sympathies had just been afforded, the informant stated, in connection with the deportation of twenty-seven Chinese citizens from Japan. The informant, in the course of his duty, drafted a protest to the Japanese Legation. This draft Vice Minister Tang entirely emasculated.

The informant said that in view of the known pro-Japanese attitude of Vice Minister Tang, the other officers of the Foreign Office deplored the fact that relations with Japan are now entirely in his hands, so far as the Ministry of Foreign Affairs is concerned.

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-3-

I have reported to the Legation and the Department in several despatches lengthy conversations I have myself held with Vice Minister Tang on the subject of Sino-Japanese relations in the course of the past year. In talking with me his position has been briefly that China would prefer to cultivate close economic relations with the Occidental Powers, and thus evade commitment to Japan, if that were possible, but that China is more or less helpless, as world affairs are at present; that he glories in his reputation of being pro-Japanese, since this gives him an opportunity to learn Japanese intentions with regard to China and thus an added opportunity to serve his own country; and that China must avoid cause of friction with Japan, while resolutely refusing to sign away any of its legal rights.

The informant stated that all minor questions between China and Japan have been settled, or are in the way of settlement, except one, the Kishimoto case.

I inquired about the dispute in regard to a piece of territory in Chahar, much exploited in the newspapers of late. The informant said that the two Governments had agreed that this was a merely local matter, to be settled between the Commissioner of Foreign Affairs at Chahar and the Japanese military authorities, but that what had happened actually was that General Sung Che-yuan, Provincial Chairman of Chahar, had withdrawn all his troops from the area claimed by Japan on behalf of "Manchukuo". He insisted, however, that the Chinese Government had taken no step which could be construed as abandoning any of China's legal rights to the territory in question.

The

-4-

The informant said that the Kishimoto case is substantially as follows: when the "Shanghai Incident" occurred in January-February, 1932, the Chief Secretary of the Inspectorate General of Customs in Shanghai was Mr. Kishimoto, a Japanese subject; the latter's position became untenable and he was given extended leave of absence; a Chinese named Ting was appointed first Acting Chief Secretary and was subsequently confirmed in the post; lately the Japanese Government has called attention to the fact that Mr. Kishimoto's leave is ended and has asked that he be reappointed to his post as Chief Secretary; the Chinese Government has replied that this is impossible, since the post was vacated by Mr. Kishimoto and was filled by the appointment of Mr. Ting, but that Mr. Kishimoto will be given the important post of Commissioner of Customs at Tientsin; the Japanese Government has objected to this and the Japanese Minister has made two visits to Dr. Wang Ching-wei recently expressly to urge that Mr. Kishimoto be reappointed Chief Secretary. The informant said that the Japanese press openly announces that this is Japan's right, since Japan is entitled to have a Japanese subject Officializing Inspector General during the absence on leave, or on the retirement, of Sir Frederick Maze (British), the present Inspector General. He said that the Japanese press insists that since the British base their claim to have a British subject in the position of Inspector General on the supremacy of British trade, the right has passed to Japan, because Japanese trade is now the greatest in volume.

The informant stressed the necessity of keeping his
remarks

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

-5-

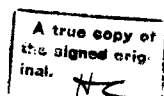
remarks regarding Sino-Japanese relations confidential
and I said that they would be so treated and that I
would not mention his name in connection therewith.

Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Original to the Legation.
Five copies to the Department under
cover of despatch of January 23, 1935.

WRP:HC



DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS
March 4, 1935.

~~MMH~~

RCM: See despatch No. 3326, marked passages
on pages 1, 3 (bottom), and 4.

MMH:

~~CHK~~
Peiping's despatches Nos. 3323 and
3326 of January 31 and February 1, 1935,
in regard to Sino-Japanese relations.

No action required.

Despatch No. 3323 transmits a copy
of a despatch from Nanking the substance
of which is reported in Nanking's telegram
No. 12 of January 25, 5 p.m. (copy attached).
As Nanking's despatch amplifies to a con-
siderable extent the information contained
in this telegram, I suggest that pages 2,
3 and 4 of the despatch be read in their
entirety.

Despatch No. 3326 encloses a copy
of a memorandum of conversation between
Mr. Peck and the Acting Minister for
Foreign Affairs the substance of which
is summarized in Nanking's telegram No. 18
of January 28, 3 p.m. (original attached).
I suggest that the marked passages in this
despatch be read.

~~EW~~
EW/VDM



LEGATION OF THE
UNITED STATES OF AMERICA

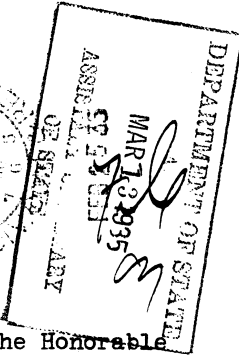
No. 3323

Peiping, January 31, 1935

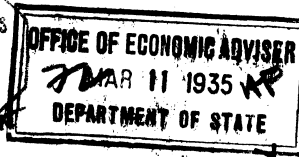
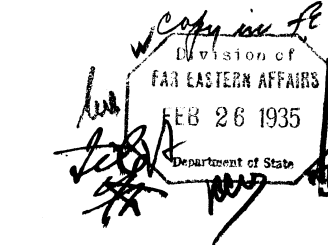
Subject: Sino-Japanese Issues; Decision of
General Chiang Kai-shek to accept
Japanese Financial Assistance.

793.94
with
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AM RECD



The Honorable



793.94/6883

For Distribution-Check		Yes	No
Grade			
For	G		
To file In U.S.A.			
Atcheson			

The Secretary of State,
Washington, D. C.

Sir:

I have the honor to forward a copy of Despatch
1/ No. 582 of January 26, 1935, addressed to the
Legation by the Counselor at Nanking, reporting in
detail information, which was summarized in his tele-
gram No. 12, January 25, 5 p.m., with regard to the
reported decision of General Chiang Kai-shek to
accept Japanese financial assistance.

Respectfully yours,

C. E. Gauss,
Chargé d'Affaires ad interim.

Enclosure

NE/FG935

FILED

MAR 15 1935

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

- 2 -

✓
Enclosure:

- 1/ Copy of Despatch No. 582,
January 26, 1935, from
Nanking to the Legation.

710

LES/rd

Original and 4 copies to the Department.

4
Copies
27.71

FILED

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

L-582 Diplomatic

ENCLOSURE No. 1
TO DESPATCH No. 3323

Nanking Office,
January 26, 1935.

STRICTLY CONFIDENTIAL

Subject: Sino-Japanese issues; decision of
General Chiang Kai-shek to accept
Japanese financial assistance.

C. E. Gauss, Esquire,

American Chargé d'Affaires, ad interim,

Peiping.

Sir:

I have the honor to refer to this office's confidential cipher telegram of January 25, 5 p.m., reporting that, according to information which is believed to be reliable, General Chiang Kai-shek has been persuaded by the Japanese to "cooperate" with Japan and to agree to accept Japanese financial assistance for the Chinese Government, and that as a result there might occur important changes in the Ministry of Foreign Affairs and in the Chinese currency structure.

In elaboration of that telegram I may say that the information in question is to the effect that during the recent visit of General Chiang Kai-shek in Shanghai, the Generalissimo met with certain Chinese bankers about January 11 and obtained from them a loan of ¥10,000,000 for his personal use and for military uses, that he had requested of them a much larger amount, and that in making his request he had launched into a lengthy discourse of about two hours on the subject of China's general international problems and particularly those vis-a-vis Japan.

According

-2-

According to this office's information which formed the basis of the telegram under reference, the Generalissimo mentioned in his discourse to the assembled bankers that they were undoubtedly aware of the grave problems, both political and economic, which confronted their country and that, as they were also doubtless aware, he was constantly being pressed to undertake armed resistance against Japan; that at the present time he had under his command or control about a quarter of a million men who were fairly well equipped and who could be depended upon to fight; that Japan's standing army contained approximately the same number but that the Japanese troops were of course much better trained and much better equipped; that while it would not be at all advisable to risk a war with Japan at present, still with this nucleus of some 250,000 loyal troops he could build up in the space of a few years a force which would be in such condition of morale and equipment as to make it possible to fight Japan; that in case of a war at the present time the Chinese would suffer defeat during the first three months and the coastal and Yangtze River ports including Nanking would be occupied by the enemy, but that after three months the Chinese would begin to achieve victory over the aggressors; that while there would be no likely prospect of a great victory over Japan, the result of such a war would not be a defeat for China if military considerations alone were to be taken into account; that, however, this success he was envisaging would depend not so much upon military force as upon the support he received from the country as a whole and that it was doubtful whether he could hope for sufficient support

-3-

support following the initial defeats which he anticipated and had just described to his hearers. In this connection General Chiang said that the Government had imbued the people of China with a certain sense of its leadership but there was great danger that this would be destroyed by the preliminary defeats which would be inevitable.

From this point the Generalissimo went on to say that in an effort to solve China's problems, appeal had been made to the League of Nations without success and that concrete assistance could not be looked for from other quarters. The United States, for example, was having difficulties at home and could not be expected to do much financially or otherwise for the sake of China. The Japanese, on the other hand, were able and willing to give China assistance and the Generalissimo saw no reason why China should not utilize Japan in this respect. He stated further that China had been muddling along without any policy since the Mukden incident, that he himself had given great consideration to questions of policy since that time, and that he had at last found it necessary to decide upon a policy of cooperating with Japan and of accepting Japanese financial assistance.

By way of comment, this office's informant in this matter offered the opinion (which he supported by citing various sources and which seemed reasonable both in view of recent reports of offers or demands by the Japanese that China enter into some kind of "pact" with Japan and in view also of the current Chahar trouble) that the future policy of the Chinese Government could be envisaged as taking the line indicated by the Generalissimo in the above-described statements to the Chinese bankers. The informant stated,

for

-4-

for example, that Mr. T. V. Soong had actually been preparing to proceed to the United States recently, as reported in the press, and had indeed even arranged his passage. His trip was canceled because it was feared that the Japanese might consider such a journey at this time as being with a view to obtaining an American loan and therefore "treacherous" in the face of the Japanese offers or demands.

The informant also made the comment that General Chiang's use of a go-between in the conversations with the Japanese spokesman or spokesmen, and the forthcoming removal of his headquarters to Ichang, would serve to "clear his skirts" of any criticism of having "sold out" China to the Japanese and that, if a time should ever come when China should be in a position to resist the Japanese with force, General Chiang could then all the more easily emerge as the saviour of the country.

The informant added, but by way of conjecture only, that there might now seem to be some ground for a rumor recently circulating that General Huang Fu would be made Minister of Foreign Affairs, replacing Dr. Wang Ching-wei. He observed that the Japanese had been urging the Chinese to appoint General Huang or some man similarly acceptable to them to the post, and it seems to be a fact that, as reported in my confidential despatch No. L-577 Diplomatic of January 23, 1935, the situation in the Foreign Office at present is such that Sino-Japanese matters are handled chiefly by a pro-Japanese Vice Minister, Mr. Tang Yu-jen.

It is regretted that the information received concerning possible change in the Chinese currency is not specific as to the direction such change or changes might take, the

only

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

-5-

only indication given being that reported in the telegram under reference, i.e., that the Chinese system might be correlated to the currency system of Japan. In spite of the meagerness of information on this point, the report was considered as of sufficient reliability to include mention of it in the telegram since it emanated from a Chinese official source which possesses intimate knowledge of such matters.

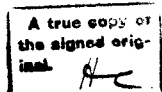
I may add that I am expecting shortly to have a private talk with Dr. Wang Ching-wei during which I hope that he may enlighten me in respect to various matters of considerable moment which are now overshadowing the Chinese political scene.

Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Original and five copies to the Legation.
Copy to the Embassy, Tokyo, under cover of despatch dated January 26, 1935.
No copies to the Department.

GAjr:HC



DECLASSIFIED: E.O. 11652, 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. 3326

LEGATION OF THE
UNITED STATES OF AMERICA
Peiping, February 1, 1935.

Subject: Sino-Japanese Relations.

793.94



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For Distribution-Check		Yes	No
Grade			
For	X		
To file			
In U.S.A.			

793.94/6884

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

Sir:

1/ I have the honor to forward a copy of despatch
No. 583 of January 28, 1935, addressed to the Legation
by the Counselor at Nanking, which encloses a memo-
randum of a conversation which he had on January 28,
1935, with the Acting Minister of Foreign Affairs,
Mr. Wang Ching-wei, with regard to Sino-Japanese
relations. The substance of this conversation was
reported in Mr. Peck's telegram to the Department,
No. 18 of January 28, 3 p.m. / 6841

MAR 22 1935

FILED

F/FG.

Respectfully yours,

C. E. Gauss,
Chargé d'Affaires ad interim.

Enclosure:

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

- 2 -

Enclosure:

- 1/ Copy of despatch No. 583,
January 28, 1935, from
Counselor of Legation at
Nanking to the Legation
which encloses memorandum of
conversation Mr. Peck had with
the Acting Minister of Foreign
Affairs on January 28, 1935.

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LES/jld

Copy to American Embassy, Tokyo.

Original and three copies to the Department.

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

L-583 Diplomatic

ENCLOSURE No. ¹
TO DESPATCH No. 3326

Nanking Office,
January 28, 1935.

CONFIDENTIAL

Subject: Sino-Japanese Relations.

C. K. Gauss, Esquire,

American Chargé d'Affaires, a. i.

Peiping.

Sir:

1/ I have the honor to refer to recent telegraphic reports on the above subject and to enclose, for the Legation's information, a memorandum of a conversation with the Acting Minister for Foreign Affairs held at his residence on the morning of January 28, 1935.

Respectfully yours,

Willys H. Peak,
Counselor of Legation.

Enclosure:

1/ Memorandum, as stated.

Original and five copies to Legation

800.
GAjr:KM

A true copy of
the signed orig-
inal. *mm*

MEMORANDUM OF CONVERSATION

Nanking, China,
January 28, 1935.

Subject: Relations between China and Japan.

Dr. Wang Ching-wei, President of the Executive Yuan and
Acting Minister for Foreign Affairs.
Mr. Peck.

Dr. Tan Shao-hua, Chief Secretary of the Foreign Office
and Confidential Secretary to the
Minister for Foreign Affairs.

(Note: The conversation was conducted mostly in Chinese
between Dr. Wang and Mr. Peck, but portions were inter-
preted by Dr. Tan.)

Mr. Peck told Dr. Wang that his call had no unusual
character, but was made in acceptance of Dr. Wang's invi-
tation to him to come from time to time, whenever there
were any subjects on which he, Mr. Peck, desired informa-
tion.

Mr. Peck said that he had heard that the whole Chinese
import tariff was due for revision very shortly and he won-
dered whether this report was true.

Dr. Wang said that he had received the same inquiry
from other persons, notably the Japanese. He had asked
Dr. H. H. Kung, Minister of Finance, about the subject
and had been told by Dr. Kung that there was no present
intention of revising the import tariff. / However, Dr.
Wang said, Dr. Kung was coming to Nanking the evening of
the same day and he would again ask him about this report
and would let Mr. Peck know the answer.

Mr. Peck said that he had heard another report, namely
that the Chinese Government intended to increase by 100%

the

-2-

the import duty on leaf tobacco. He said that this was of especial interest to the United States, since practically all Chinese imported leaf tobacco came from that country. Dr. Wang said he did not know anything about this. Mr. Peck said that he was not aware whether the reported intention to increase the import duty on leaf tobacco was distinct from, or was a part of, the intention to revise the whole import tariff.

Mr. Peck then said that he had received reports from Shanghai indicating that there would be changes in the relations between China and Japan and he would be glad to hear whatever Dr. Wang might feel at liberty to say on these subjects. Mr. Peck added that there might be things which Dr. Wang would not feel at liberty to say and, if so, Mr. Peck would quite understand that. Dr. Wang thanked Mr. Peck and asked what the reports he mentioned were.

Mr. Peck said that he had heard that the Japanese Government had proposed to the Chinese Government the concluding of an offensive and defensive alliance between the two countries and that coupled with this proposal there was a request that the Chinese Government appoint Japanese military officers as advisers.

Dr. Wang said that he would first speak about the matter of advisers. He said that on many occasions the Japanese had pointed out that the Chinese Government employed advisers of many nationalities, Americans, British, Italian, and others, and that only Japanese advisers were lacking. They urged that Japanese advisers be appointed, following the precedents mentioned above, and not only military advisers, but advisers of all sorts. Dr. Wang

said

-3-

said that he had replied that if the relations between China and Japan were placed on a friendly footing once more, the Chinese Government would naturally be glad to engage Japanese advisers. Dr. Wang said that he had, by way of pleasantry, pointed out that so long as the relations between China and Japan were not on a friendly basis, Japanese advisers, if appointed, might even run the risk of personal danger and their appointment would, in such an event, produce quite the opposite of the good results expected.

In regard to the report relating to a Japanese proposal for an offensive and defensive alliance, Dr. Wang said that no proposal for such an alliance had been made to him by the Japanese Government, formally or informally, directly or indirectly. He said that the Japanese press had carried reports that the Japanese Government intended to propose a non-aggression pact, but even this intention, if it existed, had not been carried into effect.

Mr. Peck said that a report had reached him to the effect that the Japanese Minister for Foreign Affairs, Mr. Hirota, intended to pay a visit to Nanking. Dr. Wang said that Mr. Hirota had mentioned such a desire to General Chiang Tso-pin, Chinese Minister in Tokyo, but that, so far as he, Dr. Wang, knew, no decision had been reached.

Mr. Peck said that he had received a report, also, saying that the Japanese Government had offered a loan to China. Dr. Wang said that the Chinese Government needed a loan of considerable size and he understood that the Ministry of Finance had approached various countries. The matter had not been decided yet, since a small loan would be of no use to China. Mr. Peck said that he understood

that

-4-

that negotiations for a loan from Great Britain had almost been completed. Dr. Wang neither confirmed nor denied this.

Mr. Peck said that Dr. Wang might be interested in knowing that Mr. Peck had received a report from a foreign friend in Shanghai that when General Chiang Kai-shek was there recently, about January 16, he had held a conference with Chinese bankers, to whom he had said that the Chinese Government had decided to cooperate with the Japanese Government and, in this connection, to accept a loan, part of which would be used to change Chinese currency and to assimilate it with Japanese currency. Mr. Peck supposed that this meant that a fixed ratio would be established between Chinese and Japanese currency.

Dr. Wang said that, of course, he did not know what had been said at the conference between General Chiang Kai-shek and the Chinese bankers, but since Mr. Peck had known General Chiang for many years, he thought Mr. Peck would realize that it was not General Chiang's practice to make statements regarding the intentions of the Chinese Government in various matters; it was the custom of General Chiang to listen, and not to talk. Dr. Wang did not otherwise confirm or deny the report referred to by Mr. Peck. / Dr. Wang said that Mr. Chang Kia-ngau, Managing Director of the Bank of China, had come to Nanking and would probably talk with General Chiang; but this was following General Chiang's practice of listening to the opinions of other people. Such matters as currency reform required a great deal of study and consultation with experts.

Dr. Wang said that the Japanese papers had criticized

General

-5-

General Chiang for his talk with the Chinese bankers in Shanghai, inquiring why General Chiang, a military man, interfered in other departments of the Government which did not come within his domain. Dr. Wang said he had pointed out to Japanese that General Chiang, in addition to being Chairman of the Military Affairs Commission, was also a member of the highest organs of the Nationalist Party (Kuomintang) and that it was his duty to take cognizance of all departments of the Government's interests.

Mr. Peck observed that he could not but recall the Japanese "informal statement" of April 17, 1934, and he wondered whether it was a practice of the Japanese Government to become active in international affairs on the arrival of each spring.

Dr. Wang seemed amused by this suggestion, but he conceded that there were many indications that the Japanese Government intended to attempt to advance Japan's relations with China in the near future. Whether this would be done in some harsh manner, for example, through the use of military measures, or in some mild manner, it was too early to predict; the speech recently made by Mr. Hirota in the Diet would lead one to think that the Japanese Government had only pacific measures in mind.

Dr. Wang observed that it was quite likely that the Japanese Government felt impelled to take some effective diplomatic step with reference to Japanese-Chinese relations at the present moment, partly because Japan's withdrawal from the League of Nations would take effect in March next and because of Japan's denunciation of the Washington Naval Treaty, and partly because the Diet would be adjourned on March 15 and the Government would like

to

-6-

to demonstrate some achievement before that event.

Dr. Wang said doubtless Mr. Peck had heard the rumor that General Huang Fu would be appointed Minister for Foreign Affairs and he said the fact was that he, Dr. Wang, had tried to induce several persons, including General Huang Fu, to accept the Foreign Office portfolio, but they had all refused to do so.

Dr. Wang recalled that Mr. Peck had told him that he intended to leave Nanking on vacation in March and he proposed that he and Mr. Peck should have another conversation before the latter's departure, say in February. Dr. Wang said that at present the whole situation which they had just discussed was far from clear, but that probably at a later date, the meaning of it all would have become more apparent.

WRP:HC

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



LEGATION OF THE
UNITED STATES OF AMERICA

No. 3321

Peiping, February 1, 1935

Subject: General Huang Fu as possible Foreign Minister.

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note
893.002



793.94/6835

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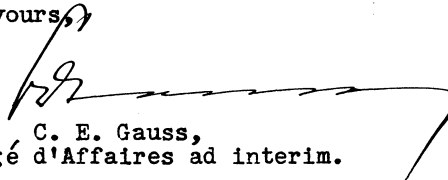
The Honorable

The Secretary of State,
Washington, D. C.

Sir:

I have the honor to forward a copy of despatch
1/ No. 585 of January 29, 1935, addressed to the Legation
by the Counselor at Nanking, summarizing comments
made by Mr. Y. Suma of the Japanese Legation at
Nanking with regard to a conversation which he had
with General Huang Fu.

Respectfully yours,


C. E. Gauss,
Chargé d'Affaires ad interim.

Enclosure

MAR 2-1935

F/FG
FILED

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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- 2 -

Enclosure:

1/ Copy of despatch No. 585,
January 29, 1935, from
Nanking.

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LES/rd

Original and 3 copies to the Department.

1 copy for note - DCR

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

L-585 Diplomatic

ENCLOSURE No. 1
TO DESPATCH No. 3321

Nanking Office,
January 29, 1935.

CONFIDENTIAL

Subject: General Huang Fu as possible Foreign Minister.

C. E. Gauss, Esquire,

American Chargé d'Affaires, a. i.,

Peiping.

Sir:

I have the honor to refer to current reports, mentioned in previous communications from this office, that General Huang Fu, Chairman of the Peiping Political Affairs Readjustment Commission and appointed Minister of the Interior, might be named Minister of Foreign Affairs to replace Dr. Wang Ching-wei, as a gesture of conciliation toward, or of capitulation to, the Japanese in connection with the various proposals which the Japanese Government is understood to have recently made and to be still making to the Chinese Government.

Mr. Y. Suma, representative of the Japanese Legation in Nanking, who has been exceedingly busy with interviews of late, informed a foreign newspaper correspondent that he had got General Huang Fu alone and asked him point blank if the rumor that General Huang might take the Foreign Office post was true. General Huang, according to Mr. Suma,

seemed

- 2 -

seemed nonplused by the question and inquired as to the source of the story since, he stated, it was a matter which had been discussed only by a few intimates of General Chiang Kai-shek and himself. He indicated that he had declined to consider the possible appointment, at least for the time being.

Mr. Suma also, according to the informant, questioned General Huang concerning the Chinese plans in respect to Japan's desires for economic cooperation and while General Huang was somewhat vague in reply, Mr. Suma's own impression was that the Chinese leaders were coming to a determination of policy vis-a-vis Japan.

In connection with a previous interview with General Huang, Mr. Suma told the informant that General Huang had stated emphatically that, whatever his future plans might be, he would not return to North China until General Yu Hsueh-chung removed himself and the headquarters of the Hopei Provincial Government from Tientsin to Paotingfu.

Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Original and five copies to Legation
Copy to Consulate General, Tientsin

800.

GAjr:MM

A true copy of
the signed original.
MM

7E

REF

TELEGRAM RECEIVED

CORRECTED COPY

SPECIAL GRAY

1-1236

FROM

Shanghai via N. R.

Dated February 26, 1935

Rec'd 11:50 a. m.

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

Secretary of State,
Washington.

88, February 26, 3 p.m.

CONFIDENTIAL.



One. Doihara (see my telegram 73, February 18, 4 p. m.) granted Abend (NEW YORK TIMES correspondent) an exclusive interview subsequent to the former's interviews with Chinese official at Nanking and Shanghai and just prior to his departure for Canton. Interview has not been released but Abend has given me a copy of his despatch which, to escape censorship, is being mailed Hong Kong for transmission by cable. Summary of despatch follows. (Not to be given out before publication in press).

Two. If China will sincerely cooperate with Japan the latter is not disposed to object to other countries sharing in the prosperity to follow upon China's development from such cooperation but being the nearest neighbor Japan expects to have the leading role. Each cultural unit should concentrate its

FW 793.94/6886

FILED

6 1935

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

REP

2-#88, From Shanghai, Feb. 26, 3 p.m.

its efforts in its own area. While convinced of the sincerity of certain Chinese leaders in advocating Sino-Japanese friendship there are doubts whether the Chinese Government can surrender anti-Japanese activity and will maintain conciliatory policies toward Japan. If sincerity is lacking Japan will adopt a policy of righteousness and will cooperate with those Chinese who can understand such righteousness. Has made no specific offers of aid to China and awaits proof of sincerity but fears that certain Chinese leaders are deliberately seeking to create a false impression abroad of Japan's intentions. This duplicity in Chinese diplomacy is deplored and if it is sure that sincerity is lacking Japan will abandon attitude of good will and will act accordingly until China recognizes Japan's role of dominance used in maintaining peace in the Far East.

Three. When asked specifically what would be done if sincerity found lacking Doihara stated, not for publication, that Japanese would employ all possible economic, financial and military measures.

Repeated to the Legation.

CUNNINGHAM

WSB-HPD

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

See correct copy

TELEGRAM RECEIVED

REF

1-1286

FROM

SPECIAL GRAY

Shanghai via N. R.

Dated February 26, 1935

Rec'd 11:50 a. m.

W
Division of
FAR EASTERN AFFAIRS

he
FEB 26 1935

Department of State

Secretary of State,

Washington.

88, February 26, 3 p. m.

CONFIDENTIAL.

One. Doihara (see my telegram 73, February 18, 4 p. m.) granted Abend (NEW YORK TIMES correspondent) an exclusive interview subsequent to the former's interviews with Chinese official at Nanking and Shanghai and just prior to his departure for Canton. Interview has not been released but Abend has given me a copy of his despatch which, to escape censorship, is being mailed Hong Kong for transmission by cable. Summary of despatch follows. (Not to be given out before publication in press).

Two. If China will sincerely cooperate to with Japan the latter is not disposed to object to other countries sharing in the prosperity to follow upon China's development from such cooperation but being the nearest neighbor Japan expects to have the leading role.

Each



793.94/6886

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FILED
6 1935

REP

2-#68, From Shanghai, Feb. 26, 3 p.m.

Each cultural unit should concentrate its efforts in its own area. Some central sincerity of certain Chinese leaders in advocating Sino-Japanese friendship there are doubts whether the Chinese Government can surrender anti-Japanese activity and will maintain conciliatory policies toward Japan. If sincerity is lacking Japan will adopt a policy of righteousness and will cooperate with those Chinese who can understand such righteousness. Has made no specific offers of aid to China and awaits proof of sincerity but fears that certain Chinese leaders are deliberately seeking to create a false impression abroad of Japan's intentions. This duplicity in Chinese diplomacy is deplored and if it is sure that sincerity is lacking Japan will abandon attitude of good will and will act accordingly until China recognizes Japan's role of dominance used in maintaining peace in the Far East.

Three. When asked specifically what would be done if sincerity found lacking Doihara stated, not for publication, that Japanese would employ all possible economic, financial and military measures.

Repeated to the Legation.

CUNNINGHAM

WSB-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

TELEGRAM RECEIVED

OFFICE OF ECONOMIC ADVISER
MAR 7 1935
SPECIAL DEPARTMENT OF STATE

mem

ASSISTANT SECRETARY
A-S/T
MAR 7 1935
DEPARTMENT OF STATE

1-1286

FROM

NANKING VIA NR

Dated February 27, 1935

Rec'd 2 pm

Secretary of State
Washington

DIVISION OF
EASTERN AFFAIRS

FEB 28 1935

Department of State

42, February 27, 3 pm.

CONFIDENTIAL.

793.94

One. Tang Yu-Jen, Administrative Vice Minister for Foreign Affairs, called on me February 23 and stated he desired to outline present situation between China and Japan. He said both those countries were in agreement that question of Manchuria could not be discussed because settlement at present was impossible. Only in economic field were discussions possible and the Japanese military were anxious to bring about understanding in this field, showing evidence of change of attitude from despair, to one of finding solutions by negotiation. The change was due to threatened increased expenditures of civil side of government in Japan and resulting eagerness of Japanese army to effect friendly settlement with China in order to maintain its dominant position in home politics.

Two. He stated two economic problems were pressing. One was Chinese remittances of profits and wages from Manchuria to China amounting to some \$150,000,000 and flowing

793.94/6887

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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. Quatman NARS, Date 12-18-75

nam 2- #42, corrected copy, from Nanking
flowing from Japanese investment of over 200,000,000 yen.
(The?)
To other was China's balance of trade with Japan. Loss
of Manchuria by China and of Manchurian bean trade and
loss of Manchurian market for Shanghai, Tientsin and
Tsingtau piece goods accounted to large extent for un-
balanced situation

Three. Mr. Tang said some way must be found whereby
trade between China and Japan could be increased but China
would have to put certain restrictions on Japanese imports
into China because problem could not be solved if Japan's
exports to China were same as goods already manufactured
in China. Any arrangement with Japan, particularly in
reference to increased use of Chinese cotton, must reflect
adversely upon trade between United States and Japan; it
was hope of Chinese Government that whatever arrangement
might be reached with Japan as little damage as possible
would result to American trade. He offered to keep me in-
formed of any progress in such discussions and hoped that
in view of known interest in United States in reciprocal
trade understandings some common basis for exchange of
information in this respect might be reached.

JOHNSON

KLP EAM

DECLASSIFIED: E.O. 11652, 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 1, 1935.

~~S/S~~

FE would appreciate receiving such comment as you may care to offer in regard to the last paragraph of the attached telegram of February 27, 3 p.m., from the American Minister to China, particularly the last two sentences.

MMH:EJL

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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

SAT. Suggest filing March 14, 1935.

MMH: without reply. m.m.H.

Chinese raw cotton is not competitive in Japan with American raw cotton. American raw cotton enters into the manufacture of the finer grades of cotton tissue, ~~are~~ consumed largely in Japan, most of the balance being used for the manufacture of cotton blankets. Chinese raw cotton together with Indian raw cotton enters into the manufacture of the coarser grades of cotton tissues which are, for the most part, exported. I am, therefore, inclined to doubt very much whether any increase in Japan's purchases of ~~raw~~ ^{Chinese} raw cotton would materially affect Japan's purchases of American raw cotton, providing, however, that there will have been no improvement in the quality of Chinese raw cotton.

I suggest, therefore, no action.

[Signature] DLY

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

3/13/55

~~2/24/55~~

In this case,
as in tobacco, the
trend toward self-
sufficiency is inescap-
able and I do
not see that we
can or should
do 'anything in'
regard to this phase
of the matter.

RM

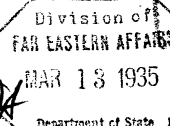
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Quisenberry NARS, Date 12-18-75

DEPARTMENT OF STATE

ASSISTANT SECRETARY

A-S/T

March 11, 1935



Memorandum on Telegram from Johnson at Nanking
dated February 27, 1935.

793.94/6887

note
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With respect to the last paragraph, particularly the reference to cotton, it should be pointed out that China formerly imported raw cotton from the United States amounting, in 1931, to 880,000 bales, and in 1933, to 313,000 bales. During the last two years the Chinese domestic production of raw cotton has increased from about 2,225,000 bales to 2,900,000 bales. It is evident that China is becoming more selfsufficient with respect to raw cotton. There appears to be no great likelihood, however, that China will be able to supplant in any material way the American cotton exports to Japan, which amounted in the year ending August 1, 1934, to 1,846,000 bales.

793.94/6887

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A-S/T:AHH:KT

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

TELEGRAM RECEIVED



FS

1-1226

This telegram must be **FROM** Tokyo
closely paraphrased be-
fore being communicated
to anyone. (A)

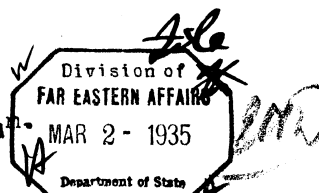
Dated March 2, 1935

Rec'd 5:38 a.m.

Secretary of State,
Washington.

43, March 2, 1935

CONFIDENTIAL.



In the course of my talk with the Minister for

Foreign Affairs this morning he brought up on his
own initiative the subject of Sino-Japanese rela-
tions and talked at considerable length along the
following lines. Since the first of the present
year the Chinese Government has awakened to the prime
importance of developing better relations with Japan.
The recent conversations in Nanking have been confined
to efforts to improve the general atmosphere by re-
ducing anti-Japanese sentiment and agitation. No
concrete negotiations whatever have been undertaken.
The Minister feels that improved relations between
Japan, China and Soviet Russia are the primary
desiderata which will eventually lead to the solution
of the naval and other problems and he is, therefore,
concentrating his efforts in that direction. After

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MAR 5 1935

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FS 2-No. 43, March 2, 1 p.m. from Tokyo

the Diet adjourns he expects to call Ariyoshi to Tokyo to consider this whole question. Hirota is convinced of the desire of the authorities in Nanking to cooperate. He referred to China's financial difficulties as one of the principal stumbling blocks to improvement and he observed that these difficulties concern other nations also. He said that his efforts to construct a solid basis for peace in East Asia must necessarily work out slowly and step by step and in the meantime he hoped for the confidence of other powers. He said that the foreign press, particularly certain newspapers in London, were constantly publishing erroneous reports and insinuations and he, therefore, wished me to know the facts as he had set them forth.

861.77 Chinese Eastern
As for Soviet Russia Hirota hopes that the agreement for the sale of the Chinese Eastern Railway can be signed before the end of the present session of the Diet and that other pending problems can then be approached and readily solved.

Repeated to Peiping.

GREW

RR: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

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

TELEGRAM RECEIVED

FS

GRAY & PLAIN

1-1226

FROM Shanghai via N. R.

Dated March 1, 1935

Rec'd 7:11 a.m.

Secretary of State,

Washington.

97, March 1, 6 p.m.

One. THE NORTH CHINA DAILY NEWS today pub-

lishes article to the effect that Japanese proposals
for rapprochement with China had been made. Essential
part of article is quoted below.

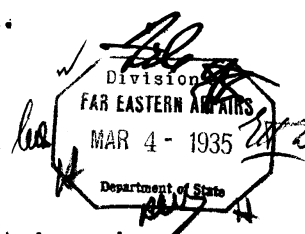
Two. "Authoritive circles both foreign and
Chinese had heard reports to this effect yesterday
and in spite of denials of any special policy towards
China given out in Tokyo believed them. It was also
reported that subject to the conversations to be held
between Major General Doihara and the leaders of
the Southwest at time limit for China's compliance with
the organ terms had been set. Summarized the terms
were,

One. Complete elimination of anti-Japanese
propaganda from all text books used in Chinese schools.

Two. Engagement of Japanese advisers by the
National Economic Council.

Three. Financial arrangement for the funding

of all



793.94/6839

FILED

6 1935

793.94

FS 2- No. 97, March 1, 6 p.m. from Shanghai

of all or part of the unrecognized loans to China such as the Nishihara loans.

Four. Substitution of Japanese for the German military advisers now employed by the Nanking Government, and,

Five. In return a loan to be floated in Japan to assist China in her present financial necessities."

Three. The authorities placed time limit of acceptance between six and nine months. Spokesman of Japanese Legation stated in denial that "so far as I know there have been absolutely no concrete proposals made either by ourselves or by the Chinese. We have discussed matters upon which we disagreed. We have said 'this should be put right - and this' and we have talked over how it should be done. And we now believe that each side clearly sees the other's position and that we can see what to do about it.

The only thing that seems to be true in these reports is our stand about anti-Japanese propaganda".

As to the advisability of eliminating anti-Japanese propaganda from text books, he continued:

"We should not dream of trying to make the Chinese change their history. What we have endeavored to

REP

3-#97, From Shanghai, March 1, 6 p. m.

to rectify is the anti-national teaching - the teaching that fosters or creates hatred against the Japanese nation. If this hatred is to persist there will never be the friendship between Japan and China that is necessary here for both nations.

So far as loans go I can assure you that there has never been any official talk of a loan by Japan to China. Dr. Wang Chung Huai in Tokyo is not discussing any such thing and it has not been officially considered by us here. There are plenty of things to be cleared up before we can begin talking about loans. In fact I understand that three Chinese bankers actually don't want a loan. They say that it is not needed at present."

In regard to world wide rumors as to Japan's desire to dominate China he continued:

"We are convinced that mutual relations with
China

REP

#-#97, From Shanghai, March 1, 6 p.m.

China mean the restoration of confidence in this country. With confidence returned China can set herself to really constructive work and that means enlarged business opportunities for all. Talk of Japan wanting to shut the 'open door' in China is simply ludicrous".

Four. Lieutenant Colonel Kagesa, Assistant Japanese Military Attache, stated that the suggestion that Japan had made any demands or conditions that would be (*) the employment of foreign advisers by the Chinese executive departments was however, miscorrect and continued:

"In his recent conversations with General Chiang Kai Shek, General Suzuki, our Military Attache, pointed out that the employment of foreign advisers to the exclusion of Japanese (*). He urged that Japan should be given equal opportunity with other powers to provide advisers.

He also directed General Chiang's attention to the fact that the maneuvers carried out occasionally by the Chinese army seemed to be directed against Japan as a potential enemy. He said that this might

be

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

REP

6-#97, From Shanghai, March 1, 6 p.m.

be interpreted in an unfriendly light and suggested that in view of the better relations between the two countries the system should be modified.

General Suzuki at no time made any 'demands' he simply suggested to General Chiang that certain things might be misinterpreted by Japan and that in the interest of all concerned these possible cases of friction should be remedied.

Also no demands were made by General Doihara during his visit to Nanking."

Repeated to Legation.

CUNNINGHAM

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

TELEGRAM RECEIVED

REF



FROM

SPECIAL GRAY

Shanghai via N. R.

Dated March 1, 1935

Rec'd 2nd, 6:10 a.m..

Secretary of State,
Washington,

95, March 1, 4 p. m.

STRICTLY CONFIDENTIAL.



T. V. Soong in confidential conversation with
Captain McHugh United States Marine Corps on February
27th said in substance that:

Present efforts towards reconciliation between
China and Japan did not mean anything and that no
worthwhile results could be produced. He further
stated that he was sure that Japanese would take
positive action in the near future. In this con-
nection he referred to Doihara's assertion that
Japan would deal with such factions in China if she
has not obtained satisfaction from the Nanking
Government (my telegram No. 88, of February 26, 3 p.m.)
Moreover, he thought that Japanese plan of action
would be to blockade mouth of Yangtze and take action
along Fukien coast, repeating that it might come
slowly. In regard to Fukien action he stated that

Japanese

793.94/6890 FILED

6 1935

793-94

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

REF

2-#95, From Shanghai, March 1, 4 p. m.

Japanese Navy had already approached Fukien Government with offer of subsidy for provincial development in return for privileges at Amoy, interpreting privileges as permission to construct naval base there. In commenting further on Shanghai situation, with reference to current rumors that Japanese plan to take over Kiangwan and International Settlement, he thought this was possible and not far in future and cited fact that Japanese are already questioning the number of Chinese troops near Shanghai as well as the armament of the peace preservation corps. He did not think the Japanese Government would bother French concession as Japanese have an understanding with French.

He was also inclined to believe that Japan contemplated action against Russia and thought that Japanese action might be expected in Suiyuan against China and/or Russia.

Repeated to the Legation.

CUNNINGHAM

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
DIVISION OF FAR EASTERN AFFAIRS
FEB 1 - 1935
JAN 20 1935
January 26, 1935.

Nanking's telegram 12, January 25, 5 p.m. (Copy attached).

Although this telegram contains merely "information

793.94
... that is believed to be reliable", the story, that Chiang Kai-shek "has been persuaded by the Japanese to adopt definite policy of 'coordination' with Japan", is altogether plausible. China is weak and is, for Japan, a land of opportunity. Japan is strong, and is "pressing" all over the world -- with emphasis where there are lines of least resistance. China cannot effectively resist; it has been demonstrated that the powers will not interpose effectively on China's behalf; China needs certain types of definite assistance; Japan is in position, on the one hand, to discipline and, on the other, to give her definite assistance; Japan has long aspired to dictate to and lead China; Chiang Kai-shek knows that he cannot successfully hold Japan off; the Chinese are habituated to the practice of "compromise"; and, China's economic needs and financial problem being what they are at this moment (especially in connection with the question of silver), it would be altogether logical and a measure of sound political strategy for Chiang, if offered substantial assistance by Japan, to accept the offer.

Assuming

FEB 7 1935

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Assuming that this development is under way and that a Japanese-Chinese rapprochement be consummated, what should be the reaction of the foreign powers, especially the United States?

It is believed that, although such a consummation may be expected to work to the disadvantage in some respects, in the near future, of Occidental powers, and possibly to the substantial disadvantage in the long run of those powers, we should at this time and under existing circumstances view it with a sense of relief. China's weakness, Japan's strength coupled with substantial needs and predatory inclinations, and friction between the two have been a menace to the peace in or of the Far East. China needs assistance -- which the powers have not been able to agree to give by collective action and which no one of the Occidental powers is prepared to give or would be permitted by Japan to give by itself. Japan is equipped for the giving of such assistance. Japan and China are, after all, nearest neighbors; and the needs and the resources and the capacities of the two are in many respects adaptable to supplementary and complementary reciprocal adjustments. It is true that, in all probability, in the program of give and take between the two, Japan would profit more than would China, and that the terms of the various bargains which might be struck would be dictated by Japan and would

be

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 -

be accepted with reluctance and with a spirit of resentment by China; but, the whole Orient is habituated to the process of exploitation of the weak by the strong. If there is effected between China and Japan a working agreement one feature of which would be the supplying of capital by Japan and another feature a certain amount of exploitation of and in China by Japanese agencies, two ~~effects~~ ^{consequences} thereof would be, on the one hand, a tendency toward development of internal strength in China and, on the other hand, a greater absorption of Japan's attention to opportunities and efforts near home with corresponding diverting of her attention from the rest of the world.

This would mean, of course, a development in the direction of that upon which Japanese official thought is intent, namely, a Japanese hegemony in the Far East. That, of course, the Occidental powers cannot look upon without misgiving. However, it is a potential phenomenon the emergence of which would need to be viewed -- in the near future -- with much greater solicitude by Great Britain and France and the Netherlands than by the United States. Those European countries have in the Far East not only trade interests which are relatively more important to them than are our trade interests there to us but also larger actual investments and definite territorial possessions. Roughly speaking, each thing that Japan acquires

in

- 4 -

in the Far East must be at the expense of China or Russia or Great Britain or France or the Netherlands. To those countries, then, political and territorial encroachments by Japan in the Far East are an immediate menace. To the United States, the development of a great Japanese Far East imperium would be a more remote but an ultimately greater menace. In other words, the immediate implications of a Chinese-Japanese rapprochement should be in some respects not ungratifying to the United States and should give us less cause for worry than it should give those other powers; but the ultimate implications would probably be of more grave concern to us than to the others. Looked at from point of view of world tendencies and of the "long swing" (not too long), if the trend is toward nationalism and nationalistic competition, we should view with alarm evidences of growing coalition, under Japanese leadership, of the peoples of the Far East; but if the trend definitely develops toward genuine internationalism and cooperative regulation of international affairs, we may hope that the development in the course of the next few years of regulatory machinery and agencies will prevent a resort or resorts to use of force in the Far East of one or another of the types which many observers are now freely predicting.

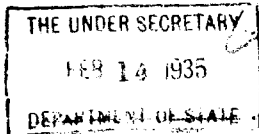
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DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

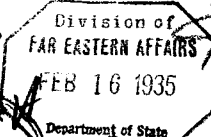
February 11, 1935.

Conversation: 1935 FEB 18 PM 12 50



Lord Lytton;
DIVISION OF
Mr. Hornbeck
AND RECORDS

SECRETARY OF STATE
FEB 14 1935



Subject: The Far Eastern Situation and
Problems Presented thereby.

Lord Lytton called and we had a conversation of about a half hour.

In the course of his address at the Town Hall last evening, Lord Lytton had said among other things that he felt that the Occident had failed to make clear to the Japanese its reasoning with regard to events in Manchuria and Japan's procedure in disregard of treaty obligations and in impairment of the peace machinery and the collective system; he felt that it had not even made the effort to do this; he felt that the League as such and the British and the American Governments as governments ought to make approaches to Japan on the subject and the British and American Governments ought to initiate conversations with the Japanese looking toward a common understanding of and a common attitude toward the Far Eastern problem.

With this in mind, the most important part of the conversation now under reference was in consequence of a question which I asked: Had Lord Lytton envisaged steps which

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- 2 -

which might be taken in practice toward doing this thing which he had said had not been done and which he felt should be done. Lord Lytton replied that he had: he felt that there should first be conversations between the British and the American Governments in which there should be developed a line of common or joint approach to the Japanese; these two Governments should work out a practical solution upon which they could agree and should ask the Japanese Government to give it consideration (NOTE: Lord Lytton did not say definitely what the solution should be but he intimated clearly that it should be along the lines of the recommendations in the Lytton Report. At one point he said that those recommendations should be considered and that perhaps it would be found desirable and essential to make some changes in them). I said that even in so seemingly simple a matter as the holding of conversations between two governments there sometimes arise difficulties: there is first the question of initiative; and, in relation to the holding of conversations between the British and the American Governments with regard to Far Eastern matters, there sometimes arises the difficulty that, as soon as the Japanese learn that such conversations are going on they become suspicious that something is being plotted against them. Lord Lytton said that he realized that there exist both of these difficulties. In reply to

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- 3 -

an indirect question on my part, he said that he felt that in regard to this matter the initiative should come from the British Government, as that Government was a member of the League and was in something of a half-way position between the League and the United States. He said that, however, the British Government would hesitate to take such an initiative unless it knew in advance that its initiative would be well received. He said that the ground might be prepared by most informal approaches. Thus, if it were intimated by us that we would welcome such an initiative on the part of the British Government, the British Government would then be in position to move. At that point I suggested that informal approaches might just as easily take the form of an inquiry from the British side asking whether we would be agreeably disposed toward such an approach. Lord Lytton indicated assent.

At two points in the conversation, Lord Lytton pointed out that he was expressing purely his own opinions and was not endeavoring in any sense to interpret, to indicate or to imply the mind and thought of the British Government. He stated, however, at one point that he had expressed to Sir John Simon substantially the same views that he was expressing to me.

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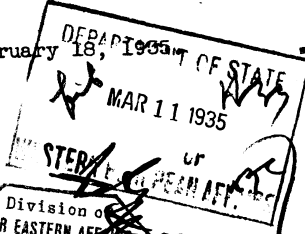
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Department of State letter, August 10, 1972
By Milton O. Gustafson NARS, Date 12-18-75



EMBASSY OF THE
UNITED STATES OF AMERICA

Paris, February 18, 1935



793.94

SPECIAL REPORT

No. W.D. 1503.

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The American Ambassador forwards herewith
Mr. Warrington Dawson's Special Report No. W.D.
1503, dated February 18, 1935.

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EMBASSY OF THE
UNITED STATES OF AMERICA

Paris, February 18, 1935.

Serial No. W. D. 1503.

SPECIAL REPORT,

By Warrington Dawson,
Special Assistant.

SUBJECT: The French Press and
Far Eastern Questions

Relations between Japan and China were discussed by Roland de Marès in LE TEMPS on January 22, 1935, immediately after the outbreak of hostilities in "Man-chukuo." De Marès adopted a moderate and conservative attitude, declaring that he did not think that the policy of rapprochement between Japan and China which had become evident, of late, would suffer seriously from the events which had just developed locally. He showed remarkable prescience, attributable in all probability to an intimation which had been given to him privately by the Quai d'Orsay, for he categorically expressed the opinion that the conditions which had

arisen

-2-

arisen to the west of the Jehol, the so-called Chahar incident, were not as grave as had been pretended in many directions.

In conclusion, de Marès mentioned that according to information emanating from a Japanese source, Tokyo would probably propose to China to cooperate for the maintenance of peace in the Far East, by means of a pact of non-aggression based on the complete recognition of Chinese national sovereignty but going farther than the Nine Power Treaty, whose stipulations are regarded in Tokyo as not being strictly applicable to a truly independent State. The conclusion of this pact would, however, be subordinated to a Sino-Japanese accord in which China would recognize the position of Japan in the Far East.

If the other Powers were to approve this new Japanese policy, the success of the approaching Naval Conference would be assured.

"This system is certainly ingenious," de Marès remarked, "and it would create possibilities for a great Asiatic policy. What remains to be seen is whether the United States and Great Britain are disposed to pay this price for an accord on the limitation of Naval forces."

Saint-Brice

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Saint-Brice, writing in LE JOURNAL of January 25, 1935, also discussed the Japanese offensive in the Jehol, asking what demon took pleasure in kindling new flames in the Far East each time the conflagration seemed to be extinguished.

He considered that the news, as published, gave much food for thought. Although the territories involved were not considerable in area, they had great strategical importance. Saint-Brice concluded:

"In conformity with the current method, the Japanese first of all tried to negotiate. The Chinese authorities seemed to enter into the game while gaining time and encouraging the resistance of local chiefs. Then the shock came. Probably it will not go very far, since the Japanese will not pass beyond the limit which they have fixed for themselves, but this crisis will re-awake the animosity between the Japanese and the Chinese. That is the really grave thing."

Writing in LE TEMPS of February 7, 1935, André Duboscq, the Far Eastern Editor, discussed "Mongolia and the Far Eastern Policy." He expressed the opinion notably that Russian diplomatic activity in Persia and Afghanistan would develop greatly after having appeared to slumber there for some years. But the Soviets were also seeking compensations in the Far East, as had

been

-4-

been shown in External Mongolia. Nobody could deny today the preponderating position of Moscow in that region. The de facto situation was not contested. The really interesting point therefore concerned the Southern portion of the Chinese possession known as Internal Mongolia.

Duboscq did not consider, however, that such a new policy developing in the Far East would necessarily provoke conflicts between Russia and Japan. What mattered most to Russia was the security of her Siberian frontier north of Mongolia and "Manchukuo."

As for Japan, Duboscq considered that before embarking upon any new broad and important policy, the Tokyo Government would apply an immediate policy of independence "without neglecting the sympathies which might arise and without dreading the rapprochements which are among the pledges of good political relations and economic entente."

L'ERE NOUVELLE published on February 11, 1935, an article entitled: "Monroe, Nippon, and Ourselves," by Arturo Labriola. He considered that although Europe had never formulated a Monroe Doctrine of its own, Japanese diplomatic activities in purely

European

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European matters in Finland, Poland, and Germany, seemed to introduce a new element into the problem. It was significant that this development had arisen since the United States declared to Japan that it could not allow the principle of the Monroe Doctrine to be shaken, whether in an open or a disguised form.

Labriola went on to remark that the so-called "San Diego Plan" in 1914 provided for the invasion of Texas and Arizona by an army composed of Indians, Negroes, and Japanese. He asked whether this plan has ever really been dropped. Japan denied the plan categorically. Nevertheless it was to be expected that Moscow would count in the Japanese game in the event of war between the United States and Japan.

L'HUMANITÉ denounced on February 2, 1935, the plans of Japan for "conquering the popular Republic of Mongolia," declaring that the revelations of Owen Latimore in the American magazine PACIFIC AFFAIRS were highly valuable in confirmation of everything that L'HUMANITÉ has had to say by way of warning with respect to "the criminal designs of Japan in the Far East."

The

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

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The originals of the articles quoted are
enclosed.

Very respectfully,

Warrington Dawson

Warrington Dawson,
Special Assistant.

Enclosures: (in single copy)

Extract from:

1. LE TEMPS, January 22, 1935;
2. LE JOURNAL, January 24, 1935;
3. LE TEMPS, February 7, 1935;
4. L'ERE NOUVELLE, February 11, 1935;
5. L'HUMANITE, February 2, 1935.

In quintuplicate

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Encl. 1 to Special Report #WD 1503 of Feb. 18, 1935.
From the Embassy, Paris.
Extract from LE TEMPS of January 22, 1935.

BULLETIN DU JOUR

LE JAPON ET LA CHINE

Les événements qui se sont produits ces dernières semaines sur le terrain européen ont quelque peu détourné l'attention de ce qui se passe en Extrême-Orient, et qui n'est pas moins important pour l'évolution de la situation générale dans le monde. On a beaucoup parlé ces jours-ci d'une nouvelle tension entre le Japon et la Chine à propos des incidents à l'ouest du Jehol, et déjà certaines informations de presse laissaient entendre qu'on se trouvait à la veille d'un conflit appelé à prendre un grand développement. En réalité, il s'agissait là d'une contestation d'ordre purement local, qui, à s'en tenir aux nouvelles qui nous parviennent ce matin, est pratiquement réglée. Il ne semble pas, en tout cas, que la politique de rapprochement entre le Japon et la Chine qui se dessine depuis quelque temps déjà doive en être sérieusement affectée.

Les difficultés qui ont surgi à l'ouest du Jehol, et qui ont donné lieu à ce qu'on appelle l'incident du Tchahar, n'ont pas eu le caractère de gravité qu'on a voulu leur attribuer. Il s'est trouvé que le gouverneur du Tchahar, le général chinois Sung Che Yuan, qui commande dans un district faisant déjà partie de la Mongolie intérieure orientale, et qui comprend Dolonor, point stratégique important, a fait franchir par ses troupes la frontière qui sépare le Tchahar du Jehol. Cette frontière est assez mal délimitée et donne lieu à des contestations. Toujours est-il que les Nippons avaient mis le général Sung Che Yuan en demeure de retirer ses troupes avant le 31 décembre dernier. L'évacuation n'ayant pas eu lieu, une conférence sino-japonaise fut prévue à Pékin. Elle s'est réunie avant-hier, et elle a abouti à un règlement aux termes duquel le général chinois donnera l'ordre formel à ses troupes de se retirer en évitant le combat avec les forces nippones envoyées sur le terrain. Cette solution a été acceptée par le gouverneur militaire du Tchahar, lequel s'est conformé effectivement à la décision prise par le conseil militaire réuni à Pékin. L'affaire est donc réglée, et il ne reste aux Nippons qu'à nettoyer la région frontrière des bandes d'irréguliers qui y circulent encore, opération qui n'a rien de commun avec un conflit sino-japonais proprement dit.

Ce qu'il faut en retenir, c'est que le Japon, sous le couvert du Mandchoukouo, veille avec la plus grande attention à consolider ses positions dans le Jehol, aussi bien du côté de la Mongolie intérieure que du côté de la partie nord de la Grande-Muraille; c'est, également, que les relations entre la Chine et le Japon se caractérisent actuellement par un réel esprit de conciliation, qui permet de régler facilement des incidents locaux qui en d'autres temps n'eussent pas manqué de provoquer des complications dangereuses. Ce changement d'atmosphère entre le Japon et la Chine est un fait nouveau en Extrême-Orient dont les conséquences peuvent être importantes d'un point de vue général. En effet, des relations confiantes entre Tokio et Nankin peuvent constituer une ligne de départ pour une grande politique asiatique à laquelle les puissances intéressées à la situation en Extrême-Orient doivent être attentives. Depuis quelque temps déjà on envisage l'éventualité d'un accord sino-japonais, soit sous la forme d'un pacte de non-agression, soit sous une autre forme, qui impliquerait une active collaboration des deux pays et qui aurait pour effet d'éclaircir la situation d'une manière durable. Sans que l'on puisse dire jusqu'ici que des résultats se trouvent déjà acquis dans cette voie, il apparaît bien que cette politique de rapprochement répond aux instructions de Chang Kai Chek et du gouvernement de Nankin, encore qu'elle se heurte à l'opposition irréductible des éléments qui sont prépondérants à Canton et dans la Chine méridionale.

Que la diplomatie japonaise s'efforce de tirer le meilleur parti des bonnes dispositions actuelles du gouvernement de Nankin, on n'en est point surpris. Ayant quitté la Société des nations, ayant dénoncé dans les délais prévus le traité naval de Washington afin d'assurer son entière liberté en vue de la conclusion d'un nouveau traité devant lui permettre de construire la flotte qu'il estime indispensable pour la sauvegarde de sa sécurité et la con-

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M. Hirota ferait donc connaître que le gouvernement de Tokio aurait l'intention de modifier sa politique à l'égard de la Chine, afin, est-il dit, « de permettre au Japon de contribuer au bien-être de l'humanité en faisant adopter une formule idéale de maintien de la paix ». L'argument ne laisse pas d'être assez impressionnant, mais en quoi consisteraient exactement les modifications que le Japon aurait l'intention d'apporter à sa politique à l'égard de la Chine? A en croire les informations de source nipponne, Tokio proposerait à la Chine de coopérer au maintien de la paix en Extrême-Orient par la conclusion d'un pacte de non-agression basé sur le principe de la complète reconnaissance de la souveraineté nationale chinoise, allant ainsi plus loin que le traité des neuf puissances, dont les stipulations, estime-t-on à Tokio, ne répondent pas à des conditions applicables à un Etat véritablement indépendant. Mais la conclusion de ce pacte serait subordonnée à un accord sino-japonais par lequel la Chine reconnaîtrait la position du Japon en Extrême-Orient, et l'approbation par les autres puissances de cette nouvelle politique japonaise assurerait le succès de la prochaine conférence navale. On voit le système, qui est certainement ingénieux, et qui créerait des possibilités pour une grande politique asiatique; mais il reste à savoir si les Etats-Unis et la Grande-Bretagne sont disposés à payer de ce prix un accord sur la limitation des forces navales.

Encl. 2 to Special Report #WD 1503 of Feb. 18, 1935.
From the Embassy, Paris.
Extract from LE JOURNAL of January 24, 1935.

Les causes et les conséquences de l'offensive japonaise dans le Jehol

Quel démon malin semble s'acharner à rallumer l'incendie en Extrême-Orient chaque fois que le sinistre paraît enrayé ?

Ces jours derniers, on entrevoyait une série d'indications favorables. L'accord sur le rachat du chemin de fer de l'Est Chinois annonçait une détente entre Moscou et Tokio. Le ministre des affaires étrangères japonais prononçait un discours plein de modération. Enfin, on laissait prévoir une solution conciliante du dernier litige de délimitation de frontières entre l'Etat mandchou et la Chine. C'est précisément de ce côté que les promesses trompeuses de l'arc-en-ciel se changent en coups de tonnerre.

Une offensive japonaise s'est déclenchée sur les confins du Jehol et du Chahar. A vrai dire, les nouvelles publiées nous laissent assez rêveurs. Elles disent que l'attaque a été lancée sur un front d'une quarantaine de kilomètres, par des forces ne dépassant pas deux mille hommes ; même avec la motorisation et les avions, la disproportion est frappante. Il faut admettre, ou bien que l'attaque n'a pas prévu une résistance, ou bien qu'elle a dû commencer avant l'achèvement des préparatifs.

Les Japonais ont toujours soutenu que la Mandchourie s'étendait jusqu'à la Grande Muraille. Ils ont invoqué cet argument il y a deux ans pour revendiquer le Jehol. L'armistice du 31 mai 1933 leur a donné satisfaction. La manœuvre a recommencé du côté du Chahar, qui se trouve sur les confins orientaux de la Mongolie intérieure. Il s'agit de territoires d'assez petite étendue, mais qui ont une grande importance stratégique parce qu'ils commandent les défilés des monts Khingans.

Suivant la méthode courante, les Japonais ont d'abord tâté de la négociation. Les autorités chinoises ont eu l'air d'entrer dans le jeu tout en gagnant du temps et en encourageant la résistance des chefs locaux. Et le choc est survenu. Cela n'ira sans doute pas très loin, car les Japonais ne dépasseront pas la limite qu'ils se sont fixée. Mais la crise va réveiller l'animosité entre les Japonais et les Chinois. C'est cela qui

Encl. 3 to Special Report #WD 1503 of Feb. 18, 1935.
From the Embassy, Paris.
Extract from LE TEMPS of February 7, 1935.

LA MONGOLIE et la politique d'Extrême-Orient

Les générations qui se succèdent vivent sur cette donnée historique universellement admise que les Russes « ont cherché la mer » vers l'Est. Le souci constant de la diplomatie impériale depuis Pierre le Grand fut de donner aux plaines moscovites un débouché sur le Pacifique. C'est ainsi qu'il est d'usage d'expliquer la marche des Russes vers l'Est.

Pourtant, à la réflexion, cette explication est bien peu satisfaisante. Le souci dont on parle ne fut, en réalité, que la conséquence ou, si l'on préfère, la seconde phase d'une opération qui, commencée à la fin du seizième siècle, consista simplement à aller devant soi dans le vide asiatique, sans plan, sans but déterminé si ce n'est la chasse, au galop des chevaux, ou au fil de l'eau sur les grands fleuves, en de légers canots. A la fin seulement, pour une raison biologique, après tant de pays gagnés, l'accès à la mer s'imposa.

Or, depuis quelques décades d'années, a surgi à l'horizon des plaines un obstacle qui masque l'Océan, et Vladivostok a perdu son intérêt économique du fait de la construction des chemins de fer mandchous. Mais comme le Russe est essentiellement terrien, continental, qu'il n'a jamais aspiré à la maîtrise de la mer, rien d'étonnant qu'il oriente sa politique dans d'autres directions. Au surplus, ses débouchés sur la mer, à l'Ouest, ayant été diminués par la guerre de 1914, le voici ramené vers le Sud, et pour que son commerce atteigne de ce côté la mer, c'est-à-dire le golfe Persique et la mer d'Oman, il lui faut gagner les sympathies des pays du Sud, Perse et Afghanistan, car il s'y heurte aux Anglais. Attendons-nous donc à voir reprendre et se déployer de ce côté toute une diplomatie russe qui, depuis un certain nombre d'années, paraissait sommeiller.

Mais ce n'est pas tout; même en Extrême-Orient, les Soviets ont cherché des compensations. C'est ainsi qu'après la chute de la dynastie mandchoue l'on a vu tomber sous leur coupe la Mongolie extérieure.

Cette partie nord de la grande possession extérieure de la Chine, en bordure de la Russie soviétique, possède un pouvoir national et une administration propre, mais l'ingérence russe ne s'en fait pas moins sentir dans tous ses rouages administratifs; instructeurs militaires, conseillers politiques, médecins, ingénieurs, tous sont bolchevistes. Au reste, le traité secret conclu le 8 juillet 1912 entre la Russie et le Japon ne reconnaissait-il pas des « droits spéciaux » à la Russie en Mongolie extérieure? Personne ne nie aujourd'hui, pas même les Russes, la position prépondérante de Moscou dans cette région; l'état de fait n'est ni contestable ni contesté, et tout l'intérêt se porte à présent sur la partie sud de la possession chinoise, c'est-à-dire sur la Mongolie intérieure.

Rappelons-nous que, dès la fin du dix-septième siècle, la division de la Mongolie en Mongolie extérieure et Mongolie intérieure exista, et que des féodaux, des princes à la tête de tribus guerrières, de ligues et de bannières, jouissaient en Mongolie de privilèges et se montraient les zélés défenseurs des empereurs mandchous. N'oublions pas non plus qu'une alliance entre les Mandchous et les Mongols fut jadis un des préliminaires essentiels de la conquête de la Chine par les Mandchous.

La République chinoise proclamée, la Mongolie intérieure disparaît en tant qu'unité politique et forme dans sa partie orientale trois districts: le Jehol, le Tchahar et le Souei-Yuan, tandis que sa partie occidentale est incluse dans la province du Kan-Sou. En 1927, le gouvernement chinois rattacha le district du Jehol à la Mandchourie; deux ans plus tard, il procéda à une nouvelle division administrative, et la Mongolie intérieure compte désormais quatre districts: Jehol, Tchahar, Souei-Yuan et Ning-Hsia.

Comme on le voit, les destinées de la Mongolie intérieure sont on ne peut plus changeantes, et l'on pourrait dire que les événements actuels du Jehol et du Tchahar ne font que continuer une tradition depuis longtemps établie. Cette considération ne saurait évi-

Encl. 3 to Special Report #WD 1503 of Feb. 18, 1935.
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Extract from LE TEMPS of February 7, 1935.

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Toujours est-il que dans la réalité des faits les chefs mongols, personnellement attachés à l'empereur de Pékin, parce qu'il était Mandchou, ont vu avec tristesse et amertume la chute de la dynastie; mais alors que ceux de Mongolie extérieure étaient bien forcés de s'arranger de la forme de gouvernement que quelques années plus tard leur prescrivaient les Soviets (certains toutefois furent déposés de leurs biens et passèrent au service du Mandchoukouo), ceux de Mongolie intérieure sentaient se réveiller leur ancien loyalisme au profit du souverain du nouvel Etat mandchou. Inutile de dire qu'ils sont entretenus dans ces dispositions par les Japonais, qui à côté d'une Mongolie extérieure russifiée veulent une Mongolie intérieure japonisée.

Admettons qu'ils y parviennent. Pareil voisinage sera-t-il fatalement une cause de conflit? La nouvelle orientation de la politique russe en Extrême-Orient, telle que nous l'avons indiquée en commençant, nous fait répondre négativement. Ce qui importe à la Russie, c'est la sécurité de sa frontière sibérienne, au nord de la Mongolie et de la Mandchourie. Ne dit-on pas que l'Union soviétique poserait comme condition à la signature d'un pacte de non-agression avec l'empire nippon que celui-ci s'engageât à respecter la frontière de l'Amour? Et d'abord qu'est-ce à dire, sinon que le Mandchoukouo est un fait admis? Ensuite nous n'inventons rien: à l'ouverture toute récente du septième congrès des Soviets, M. Molotov a rappelé que Moscou avait proposé à Tokio de signer un pacte de non-agression. Nous sommes loin de la guerre russo-japonaise prédite pour demain depuis plus d'un an! N'empêche qu'à la même séance d'ouverture, le commandant en chef de l'armée spéciale d'Extrême-Orient, le général Blucher, — un Balte, — l'ancien Gallen du gouvernement de Canton, fut l'objet, disent les dépêches, « d'une magnifique ovation »...

Mais cela, au fond, n'a pas grande importance. Ce qui compte, c'est la politique de repliement de la Russie dans la direction de l'Ouest et du Sud, et dans l'Ouest, cette sorte de fixation compensatrice en Mongolie extérieure, en deçà de la Province Maritime et de la Mandchourie, jadis partagée secrètement aussi avec le Japon!

Notre conclusion est que le rôle de la Mongolie, qui, nous en convenons volontiers, peut être capital dans la politique d'Extrême-Orient, une fois réglé par les intéressés, ce qui est en train de se faire, est selon nous le contraire d'un rôle dangereux pour la paix, si paradoxal que cela puisse paraître à certains.

Avant que s'ébauche une politique de grande portée entre le Japon et quelque puissance occidentale que ce soit, le gouvernement de Tokio cherchera à en faire une plus immédiate, plus proche à tous égards. Le désir du Japon, depuis son départ de Genève, est de rester in-

dépendant le plus longtemps possible, sans toutefois négliger les sympathies qui peuvent s'offrir, sans redouter les rapprochements qui ne constituent que des gages de bonnes relations politiques et d'entente économique. S'il devait pousser plus avant ses rapports avec une puissance, c'est en Asie d'abord qu'il le ferait; témoin sa politique presque pressante d'aujourd'hui à l'égard des Russes et des Chinois, en dépit d'incidents auxquels on donne inconsidérément une importance exagérée, et qui soudain font invariablement oublier tout le reste.

Il y a longtemps que la *Pravda*, reprenant une opinion exprimée à Pékin par M. Karakhan au cours de l'été 1925, concluait dans un article sur la situation en Chine au rapprochement des trois grandes puissances extrême-orientales, la Chine, le Japon et l'Union soviétique, « le meilleur moyen pour elles, assurait le journal, de défendre leurs intérêts communs et de consolider la paix en Extrême-Orient »

2. — LE TEMPS. — 7 février 1935

Intervient pas, les délégations prendront le train de midi pour Rome, où les négociations seront poursuivies sous la direction du comité des Trois.

LA FRANCE D'OUTRE-MER

A la conférence impériale

La commission de la production et d'économie générale de la conférence et les bureaux des autres commissions se sont réunis le 5 février à 10 heures, sous la présidence de M. Albert Sarraut, pour entendre M. Pierre Alype, gouverneur des colonies, sur la situation des Etats du Levant.

Dans son exposé, M. Pierre Alype a marqué que le problème économique des Etats du Levant, ne pouvait être distrait des circonstances d'ordre politique et juridique. En Syrie comme partout, la crise économique suscite des mécontentements. Les pays voisins (Egypte, Irak, Turquie, etc...) s'entourent de murailles douanières auxquelles les Etats du Levant, en raison de leur statut international, ne peuvent rien opposer. Ils se retournent donc vers la France, et de la France surtout attendent leur salut.

Les mesures préconisées ne se heurtent à aucune objection d'ordre juridique. Sur le plan économique elles auraient, pour l'exportation française, les plus heureuses conséquences.

La Syrie achète à la France cinq fois plus qu'elle ne lui vend. Il s'agit de maintenir, et si possible d'accroître ce pouvoir d'achat. D'ailleurs la production des Etats du Levant ne concurrence point les produits métropolitains ou coloniaux. La France et les Etats du Levant ont donc en cette affaire une indéniable communauté d'intérêts.

M. Pierre Alype s'est pour le surplus référé à la documentation très complète qui a été établie et remise par ses soins aux commissions techniques de la conférence.

La croix de la Légion d'honneur à l'Ecole coloniale

Le 23 février, à l'Hôtel de Ville, le ministre des colonies remettra solennellement à l'Ecole coloniale, récemment débaptisée pour devenir l'Ecole nationale de la France d'outre-mer, la croix de la

Encl. 3 to Special Report #WD 1503 of Feb. 18, 1935.
From the Embassy, Paris.
Extract from LE TEMPS of February 7, 1935.

DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
By M. J. O. [Signature], Date 12-18-75
Department of State Letter, August 10, 1972

Encl. 4 to Special Report #WD 1503 of Feb. 18, 1935.
From the Embassy, Paris.
Extract from L'ERE NOUVELLE of Feb. 11, 1935.

Monroë, Nippon et Nous

WD

par Arturo LABRIOLA

L'Europe n'a jamais formulé de doctrines de Monroë à son profit. Dans un orgueil que son expansion justifiait, elle n'a pas admis la possibilité que les autres continents auraient un jour à se mêler de ses affaires. La dernière éruption du volcan asiatique — qui dans les siècles révolus avait déversé sur son sol Alanes, Avars, Huns, Finnois, Arabes et Turcs — s'est passée au quinzième siècle, avec Tamerlan. Depuis lors, le « péril jaune » est fini. Les Turcs eux-mêmes se sont européanisés.

Du reste, le seul continent par rapport auquel une « doctrine de Monroë » de la part de l'Europe eût pu être formulée, l'Amérique, l'ayant énoncée pour son compte, lui avait donné une valeur réciproque. L'alliance d'un Etat européen avec le Japon ne considérerait que des intérêts asiatiques. Le jour où une guerre éclata entre le Japon et un autre Etat européen, l'alliance ne fonctionna pas sur une base européenne.

La thèse que les intérêts européens ne souffrent pas d'interventions extra-continéntales, est le bon sens même. Personne n'eût jamais imaginé qu'un Etat, appartenant à un autre continent, eût pu songer à exercer une influence directe sur nos orientations. Du reste, le cas des Etats-Unis — qui, après tout, appartiennent à une race et à la civilisation européennes — mis de côté, la question ne pouvait avoir qu'un intérêt purement théorique.

Mais, depuis quelque temps, l'attitude du Japon semble introduire une variante dans ce texte universellement admis. Sa diplomatie s'exerce en Finlande, en Pologne, en Allemagne sur une matière strictement européenne. Il n'est pas sans importance de remarquer que cela arrive après que — dans un cas analogue — les Etats-Unis avaient déclaré au Japon qu'ils ne pouvaient pas admettre que, sous une forme plus ou moins déguisée, le principe de Monroë pût être ébranlé.

Cela se rapporte au fameux « plan de San Diego », qu'en 1914 les Japonais essayèrent d'établir avec les Mexicains. On sait qu'une théorie, sortie pour l'occasion, portait de l'idée d'une communauté d'origine entre les Japonais et... l'ancienne population indienne du Mexique. Aztèques, Toltèques et Mayas — dont est issue la population indienne du Mexique — seraient une partie de cette vieille race polynésienne, qui, d'après « une » théorie, pourrait se rattacher à la même population ayant peuplé tout le Pacifique oriental.

ont déclaré ne pas pouvoir admettre d'ingérences étrangères dans les questions américaines.

L'activité de la diplomatie nipponne dans l'Europe orientale ne fait pas de doute. Elle semble agir, en fonction d'un intérêt asiatique, sur des questions strictement européennes. La diligence de cette diplomatie vise une situation de l'Extrême-Orient, que l'on voudrait apparier à des querelles de notre continent. Mais il est évident que si cette politique pouvait avoir un succès, son résultat, je ne dis pas le plus tangible, car c'est clair comme le jour, mais le plus intentionnellement voulu, ce serait le renversement de tout l'ordre européen, tel que les traités de 1918-1919 l'ont fondé.

La crise de l'Extrême-Orient existe, c'est inutile de le cacher ; et cette crise, qui est vieille, est entrée dans un état aigu, depuis au moins quatre ans. Sans l'extrême longanimité de la Russie soviétique — longanimité qui, dans certains moments, est apparue même excessive — nous en serions depuis longtemps à une guerre. Qu'elle ait pu être évitée, cela tient du miracle. Mais la longanimité russe a eu tout au moins cette compensation, que maintenant le Japon doit se chercher des alliés, cependant qu'il y a quatre ans, il semblait avoir moins de souci. Donc, la Russie n'a pas perdu son temps.

Le miracle peut continuer. Mais la condition dont dépend ce prolongement, c'est que l'équilibre des forces, en Extrême-Orient, ne soit pas brisé. Les Etats-Unis n'ont — et ne peuvent avoir — qu'une attitude négative ou conservatrice. La situation stratégique du Pacifique et le goût des Américains excluent des interventions dramatiques de leur part. Mais si des querelles européennes peuvent espérer un exutoire asiatique, l'équilibre des forces en Extrême-Orient est définitivement compromis. Or sur les frontières de la Mongolie extérieure, qui est au fond un élément de la Russie, s'annoncent de continuelles frictions. Faut-il mettre en rapport cette activité tactique des forces nipponnes avec la réussite de plans diplomatiques en Europe ?

Voilà pourquoi on voudrait souhaiter qu'un « esprit européen » dont la parole eût du poids pour notre continent, voulût rappeler aux Européens qu'eux aussi ont un patrimoine continental à garder. Nous n'avons pas de « doctrine de Monroë » officielle, et, d'ailleurs, l'indivision de notre continent, et le manque d'une puissance nettement hégémonique, comme les

cains. On sait qu'une théorie, sortie pour l'occasion, partait de l'idée d'une communauté d'origine entre les Japonais et... l'ancienne population indienne du Mexique. Aztèques, Toltèques et Mayas — dont est issue la population indienne du Mexique — seraient une partie de cette vieille race polynésienne, qui, d'après « une » théorie, pourrait se rattacher à la même population ayant peuplé tout le Pacifique oriental à partir du Japon, dans une vague pré-histoire.

Telle est la théorie. Elle n'est rien moins qu'établie ; car cette fameuse « race polynésienne » — à laquelle nous sommes redevables de la civilisation de l'île de Pâque — on l'a rattachée à toutes les souches possibles : aryenne, sémitique, turanique. Ces sciences anthropologiques, sociologiques et linguistiques ne donnent pas une idée très haute de leur sérieux. Mais, au fond, leurs conclusions ne sont que le « manifeste » d'un orgueil : politique, national ou racique !

Le « plan de San Diego » prévoyait l'invasion des Etats du Texas et de l'Arizona de la part d'une armée d'Indiens, de Nègres et de Japonais. Le « plan » a-t-il jamais été abandonné ? Les Etats-Unis ont commis trop de fautes envers Mexicains, Nègres et Indiens, pour qu'ils puissent jamais compter sur leur sympathie. Mais ils demandèrent un désaveu formel du Japon, et le désaveu fut tel qu'on le réclamait. Naturellement, quelle pourrait être l'attitude du Mexique dans le cas d'un conflit entre les Etats-Unis et le Japon, c'est une autre affaire. La carte mexicaine peut compter dans le jeu du Japon. Mais cela serait la guerre, et pendant la paix les Etats-Unis

les nippons avec la réussite de leurs diplomatiques en Europe ?

Voilà pourquoi on voudrait souhaiter qu'un « esprit européen » dont la parole eût du poids pour notre continent, voulût rappeler aux Européens qu'eux aussi ont un patrimoine continental à garder. Nous n'avons pas de « doctrine de Monroe » officielle, et, d'ailleurs, l'indivision de notre continent, et le manque d'une puissance nettement hégémonique, comme les Etats-Unis par rapport au continent américain, nous empêcherait toujours d'en avoir une. Toutefois le sentiment de la haute dignité de la culture de notre continent doit instinctivement nous faire repousser l'idée d'offrir une collaboration aux haines, aux cupidités et aux intrigues de puissances qui sont étrangères à notre milieu historique.

La fable du cheval qui, pour se venger du loup, se fit mettre la bride par l'homme, est-elle sans valeur pour ces Etats européens centro-orientaux, qui ont des sentiments antirusse à soulager ? Et un Japon puissance mondiale, est-elle chose tellement indifférente pour un Etat quelconque de l'Europe ?

Encl. 5 to Special Report #WD 1503 of Feb. 18, 1935.
From the Embassy, Paris.
Extract from L'HUMANITE of Feby. 2, 1935.

Les plans du Japon en vue de conquérir la République populaire de Mongolie

Les valets mandchous du Japon tergiversent au sujet de la conférence proposée pour régler les récents incidents.

L'Humanité a tenu ses lecteurs au courant des actes d'agression du Japon contre la République populaire de Mongolie (Mongolie extérieure). Le gouvernement de Mongolie a adressé une note au « gouvernement » mandchou dans laquelle il se déclare disposé à entrer en pourparlers en ce qui concerne la contestation de frontière, bien qu'il soit établi que le lac Boul-Nor et la rivière Khalka (où se sont déroulés les incidents) appartiennent indubitablement à la Mongolie extérieure.

La Mongolie extérieure propose au Mandchou-Kouo de tenir une conférence à Verkhne-Oudinsk, dans la République des Bouriates-Mongols.

Le « gouvernement » mandchou — qui n'agit que par ordre de Tokio et du dictateur nippon, général Minami — n'a pas encore répondu.

Il ne fait aucun doute que le Japon entend tergiverser sans fin, comme pour la vente de l'Est-Chinois, afin de maintenir la tension et procéder, au cours des pourparlers, à de nouvelles provocations. Car le but est de provoquer un conflit ouvert, sinon directement entre le Japon et la Mongolie extérieure, de toute façon entre les bandes mandchoues-mongoles de la Mongolie intérieure et de la région des monts Khinghans.

Ce que veut le Japon

Dernièrement, M. Owen Latimore, rédacteur en chef de la revue américaine *Pacific Affairs*, « spécialiste » des affaires mongoles et pro-japonaises avéré, parlait ouvertement non seulement de la mainmise du Japon sur la Mongolie intérieure, mais de la guerre civile entre les « Mongols conservateurs », les princes et les lamas soutenus par le Japon, et la République populaire de Mongolie. « Actuellement, déclare-t-il, l'unification des Mongols suppose une contre-révolution dans la Mongolie extérieure, aboutissant au rétablissement du pouvoir des chefs héréditaires de tribus, du lamalisme et des anciennes traditions ». Cependant M. Latimore reconnaît que « le gouvernement de la Mongolie extérieure est fort » et « qu'il est probablement dirigé par l'élite du pays ». Mais il déclare « cette guerre imminente, presque inévitable ».

Le Japon, écrit-il, n'a peut-être pas la possibilité d'attaquer l'U.R.S.S. de front, et c'est pourquoi il trouve plus expédient de déclencher une guerre entre les tribus mongoles et de l'utiliser pour soumettre à son contrôle la Mongolie extérieure ».

Ces considérations d'un homme lié aux fauteurs de guerre japonais et connaissant bien leurs plans, constituent des révélations précieuses venant corroborer tout ce que nous avons dit ici des desseins criminels du Japon en Extrême-Orient. — M. M.

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

SECRETARY OF STATE
FEB 12 1935

DEPARTMENT OF STATE
Division of
FAR EASTERN AFFAIRS
FEB 15 1935
DEPARTMENT OF STATE
February 11, 1935

1935 FEB 16 PM 12 13
Mr. Secretary:

793.94
Referring further to the matter of the meeting at
the Town Hall last evening, --

To me one of the most impressive features of the
whole performance was the demonstration, which must I think
have been apparent to everybody present, in the bearing,
the manner of delivery and the substance of the remarks of
Lord Lytton, that there are men in the field of politics
and statesmanship who are animated by convictions, who
have and who believe in adhering to principles, who believe
that a signature to a contract, whether by an individual or
by a government, creates a definite legal and moral obliga-
tion, etc., etc.. Lord Lytton gave a fine demonstration
of intellectual honesty and personal moral integrity, and
everything that he said was in support of the conception
and thesis that nations need to be imbued with and guided
by high standards of morality. Over and over he emphasized
the point that nations must stand by the agreements to
which they have voluntarily set their signatures.

793.94/6894

F/FG.

FILED
FEB 16 1935

FE:SKH/ZMK

FE

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

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REP

TELEGRAM RECEIVED

SPECIAL GRAY

Shanghai via N. R.

Dated March 5, 1935

Rec'd 2 p. m.

1-1230

FROM

Secretary of State

Washington.

102, March 5, 4 p. m.

CONFIDENTIAL.

For more than a fortnight rumors have been current indicating a renewal in some form of the Japanese activities in Chapel and contiguous districts with corresponding Chinese unrest. Rumors say the Chinese are concentrating to meet any possible Japanese activities and that Japan is preparing to land forces in the vicinity of Woosung. I have carefully investigated and find but little cause for the rumors other than considerable evidence of Japanese pressure being exerted all along the line. ^{Suzuki} Sesuki, the Japanese Military Attache, is credited with having made inquiries of the mayor regarding civic center developments and the statement that the Japanese were keenly interested in the nature of the developments which were contemplated north of the civic center building toward Woosung.

Repeated to Legation.

CUNNINGHAM

WSB-CSB

793.94/6895

FTI:END

U.

TELEGRAM RECEIVED

REP

1-1236

FROM

SPECIAL GRAY

Shanghai via N. R.

Dated March 6, 1935

Received 2:35 p. m.

Division of
FAR EASTERN AFFAIRS

MAR 7 - 1935

Department of State

Secretary of State,
Washington.

107, March 6, 5 p. m.

Referring to my telegram 97, March 1, 5 p. m.,

resume published in NORTH CHINA DAILY NEWS is believed to have been made by Japanese military to Japanese Foreign Office and dead line of six to nine months as stated in paper was fixed as of June 1st. This opinion was confirmed on March 4th by T. V. Soong in interview with Captain McHugh. He stated in same interview that report in NORTH CHINA was substantially correct but that so far as he knew the demand was but ~~one~~ ^{orally} one. ~~one~~

Two. It is interesting to note that Soong in conversation with McHugh stated that there were three points of view in China towards Japan: (first), those who are suspicious, the idea of beware of Greeks bearing gifts; (second) large masses of ignorant and unfortunate people who blame Japan for everything and want nothing to do with her; and (third) those who realize that although distasteful it is advisable to

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MAR - 6 1935
DIVISION OF

793.94/6896

MAR 11 1935

FILED

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note
993.515

12

REF

2-#107, From Shanghai, March 6, 5p.m.

to get along with Japan in order to avoid further aggression. The impression was gained that Soong had recently been won over to a certain extent to the third class and if so his recent conversations with the Generalissimo of Hankow are probably responsible for his change of attitude.

Three. In reference to alleged proposal of joint loan to China by signatories to Nine Power Treaty, and published statement that Japan would consider any joint loan to China at this time as attempt at international control, Mr. Soong stated that the idea should be given serious consideration but added that Japanese were very insistent in London last year that they should be included in any international loan to China and opposed for that reason the French consortium proposal and that if Japanese authorities were now opposed to nine power loan it would indicate a very sudden change of view. He also stated that the fact that British had initiated discussions with the United States at this time was significant that British are beginning to wake up. He expressed the view that Anglo-American cooperation is the only sound solution of the Chinese situation but did not believe this could be

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

REF

3-#107, From Shanghai, March 6, 5p.m.

he effected for two or three years; that there must first be an attempt at Sino-Japanese cooperation though he believed the Japanese would attempt to dictate and monopolize rather than advise and assist.

Four. Many expressions of gratification have been heard locally regarding press report that Great Britain had approached the United States for the purpose of arranging consortium loan to China. Repeated to the Legation.

CUNNINGHAM

HPD

WSB

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

793.94

DOCUMENT FILE

NOTE

SEE 894.00 P.R./86 FOR #1161

FROM Japan (Crew) DATED Feb. 7, 1935.
TO NAME 1-1127 ***

REGARDING: The Jehol "Incident".

FRG.

793.94 / 6897

II. RELATIONS WITH OTHER COUNTRIES.

(a) China.
(1) The Jehol "Incident".

793.94

On January 17 the Kwantung Army issued an ultimatum to General Sung Che-Yuang to withdraw his Chinese troops from the western sections of Jehol Province, where it was alleged they had been stationed for a long time. Japanese Army circles contended that General Sung's troops were "nothing better than bandits", that they were a nuisance and a menace to the peaceful population of Jehol,* and that they had on many occasions violated the demilitarized zone agreement established by the Tangku Truce. In any case, the western border of Jehol, at a number of points, had never been definitely fixed. Alleging that General Sung had refused to comply with the terms of its ultimatum, on January 18 a unit of the Kwantung Army, in conjunction with "Manchukuo" forces,

* Embassy's telegram No. 10, January 19, 1935.

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

793.94

DOCUMENT FILE

NOTE

SEE 893.515/430 FOR Tel#84, 4pm.

FROM Great Britain (Atherton) DATED March 1, 1935.
TO NAME 1-1127 ...

REGARDING: Sino-Japanese Relations:

Graigie states that if the international conversations, proposed by the British, lead to some sort of international loan to China, the result may ease Far Eastern tension; and the successful economic conversations be followed by political conversations with the hope that Japan and China might evolve a modus vivendi on the question of Manchuria.

FRG.

793.94/6898
6878

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

DOCUMENT FILE

NOTE

SEE 893.00/12980 FOR Tel. #-6pm.

FROM Canton (Spiker) DATED Mar. 3, 1935.
//~~hd~~// NAME 1-1127 ***

REGARDING:

Sino-Japanese relations: Statements issued by Hu Han-Min by press, denouncing Wang Ching-wei's recent statement of policy as tantamount to declaration that China is a protectorate of Japan. Hsiao Fu-Chen also issued a statement in this connection. Visit of Major General Doihara to Canton. Ha issued a statement in which he insisted that unless Japan "corrects all errors made and treats China with equality" cooperation between the two countries is impossible. Some Southwest leaders appear convinced that western powers have signally failed China and that Nanking has no option in the matter of a new alliance.

793.94 / 6899

6899

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

D

GRAY

Canton, via N. R.,

Dated March 3 1935,

Rec'd 10:00 P. M.

Secretary of State,
Washington.

March 3, 6 p. m.

Referring to my telegram of February 21, 4 p. m.,
after unexpected silence at the time of the Chahar incident
Hu Han-Min made statement to press on March 1st denounc-
ing Wang Ching-Wei's recent statement of policy as tan-
tamout to declaration that China is protectorate of
Japan. Hsiao Fu-Chen has also issued denunciatory state-
ment characterizing Wang and Marshal Chiang as betrayers
of China. Hu's statement no novelty but interesting in
that it was issued on day previous to Major General
Doihara's call on Hu. Former arrived Canton this morning
and is scheduled to confer with highest officials tomorrow
afternoon. Hu today issued press statement as to inter-
view in which he alleges he insisted that unless Japan
"corrects all errors made and treats China with equality"
cooperation between the two countries is impossible.
Local authorities characterize Doihara's visit as "Of no
substantial diplomatic significance". ^{While} ~~While~~ certain
Southwest leaders support Hu and Hsiao number of others
appear convinced that western powers have signally failed
China

note
793.94

12968

893.00/12980

2/Canton, March 3, 6 p. m.

China and that Nanking has no option in the matter of new alliance.

Two. According to local reports westward movements of communist forces referred to in paragraph three of my telegram of February 21, 4 p. m., were blocked by Yunnanese who forced enemy to evacuate Yentsing on February 18th and other places occupied in Northern Yunnan towns following week, communists then moving eastward into Kweichow occupying Chihshui on February 22nd, Tcheng on the 23rd, then continuing eastward. Other forces took Sungkan and Tungtze on the 25th and 26th, the Northern forces falling back to Tsunyi and Kikiang respectively. These Red forces believed to be endeavoring to join Ho Lung and Hsio Ko on Hunan-Szechuan-Kweichow border. Synchronizing with this eastward thrust through North Kweichow between six and nine thousand communists under Yeh Chien Ying are reported to have made sudden southward movement from Hingkwow and Yutu, Kiangsi, then with others from Anyuan, swung westward against Sinfeng and Nankang in Southern Kiangsi, allegedly with the intention of crossing Southern Hunan en route to join Ho Lung and others in area named above. Heavy reinforcements were rushed by General Yu Han-Mou and Northern leaders to Sinfeng, Nankang and Kanhsien areas on February 28th to meet this threat and heavy fighting is reported to be in progress.

Three.

Page 3 from Canton March 3 6 pm.

Three. Troop movements from Canton westward have ceased but local leaders state that Kwangsi troops in Kweichow and Kwangtung troops in Kwangsi will remain where they are now pending clarification of the Kweichow situation. In the meantime Northern leaders in Kweichow are reported to have completed plans for re-routing of that province's trade to the Yangtze. Once conditions permit of such re-routing Kwangsi and Kwangtung will be deprived of large revenue hitherto obtained from Kweichow trade. Southern military leaders further disquieted by this added evidence of Nanking's tightening grip, also by attitude of Yunnan leaders in relation to Nanking's military appointment of Yunnan leaders to command of communist forces along Yunnan - Kweichow frontier, thus snubbing leaders of Kwangtung - Kwangsi joint expedition to Kweichow.

Four. Admiral Kiang returned to Canton for conference after his two cruisers referred to in my telegram February 21, 4 p.m., were at Hong Kong for cleaning of their hulls. Both cruisers returned to Whampoa on February 28th.

SPIKER

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

773.94

DOCUMENT FILE

NOTE

SEE 893.515/444 FOR Tel#94, 1pm.

FROM Great Britain (Atherton) DATED March 6, 1935.
TO NAME 1-1127 ...

REGARDING: Silver; General Economic Situation:

Sino-Japanese rapprochement; Atherton, in conversation with Wellesley, was given the impression that, out of this present initiative, Great Britain would welcome a-, which they regard as a preliminary to facing reality in regard to the present situation.

FRG.

793.94/6900
6900

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

FE

REP

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

LONDON

Dated March 6, 1935

Rec'd 12:15 p. m.

Secretary of State,
Washington.

94, March 6, 1 p. m.

(GRAY) CONFIDENTIAL.

Referring to "garbled versions of American and
British intentions" which have been cabled from Washing-
ton to Tokyo, in an obviously inspired article today
the TIMES refers to the recent discussions in Washington
and states, inter alia "The British Government have
called the attention of the American, French and
Japanese Governments to the difficulties under which
China is laboring, though it may be presumed they
did not lay great stress on the silver question in
Washington. All three governments have now expressed
their readiness to consider any practical proposals
to safeguard Chinese currency in the interests of
international trade." (END GRAY)

The Foreign Secretary informed me yesterday
that origin of British demarche lay in representations
made to him by the Chinese Minister a fortnight ago on
the

note
793.94

h h h

REP

2-#94, From London, March 6, 1 p.m.

the present plight of China. Simon informed the Chinese Minister that while he would be prepared to suggest to the interested powers discussions, it must be on some specific proposals and not on China generally. Therefore after a preliminary demarche, (Department's 41, March 2, 4 p. m.) no further action could be expected until Nanking made definite suggestions for consideration by the interested powers.

193.94 / In conversation with Wellesley on Monday he also expressed the above point of view but left me with the impression that out of this present initiative Great Britain would welcome a Sino-Japanese rapprochement which they regard as a preliminary to facing reality in regard to the present Manchukuo situation.

I also saw the Chinese Minister on Monday who stated he was awaiting instructions from his Government in reply to Simon's suggestion that Nanking present concrete proposals but that he personally felt the situation was such in Nanking today (presumably in view of the weight of Japanese representations being made there) that he did not feel the Chinese Government could take any initiative in making proposals, and that the impetus must come either from London or Washington.
He

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

REP

3-#94, From London, March 6, 1 p, m.

He told me by way of illustration Nanking had pointed out to him recently that any strongly anti-Japanese sentiments he now uttered here might perhaps serve a useful purpose in London but he must remember a slap to Japan in England very often meant as a result a blow in the belly received by Nanking from Japan.

Memoranda of these conversations going forward today.

ATHERTON

WSB

Paraphrased sent to O.N.S. + M.S.N.

FE

TELEGRAM RECEIVED

FS
1-1236
This telegram must be closely paraphrased before being communicated to anyone. (A)

FROM

Peiping

Dated March 9, 1935

Rec'd 9:16 a.m.

Division of
FAR EASTERN AFFAIRS

MAR 11 1935

Department of State

Secretary of State,
Washington.

111, March 9, 7 p.m.

Following telegram has been received from Canton.

"March 7, noon. Am authoritatively informed that

Doihara in separate conversations referred to in my telegram of March ^{5, 4} ~~7~~ p.m., unmistakably indicated that while diplomatic party in Japan had reached final oral agreement with Nanking and while Japanese navy party tacitly approved agreement it cannot be finally concluded without the approval of military party which is represented by Doihara and will withhold judgment until assured of Chiang Kai Shek's sincerity toward Japanese military as well as diplomatic party and second the toleration if not approval of the agreement by the Southwest and other non-Nanking political groups. Kwangtung leaders inclined to ~~discuss~~ ^{discuss} Japanese military leaders may attempt to reach "compromise agreement" with other Chinese leaders thus nullifying Japanese party's ^{Coup} ~~90~~ at Nanking. Doihara ~~is~~ however is reported to have brought no proposal to

Southwest

793.94/6901

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F.

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

FS 2-No. 111, March 9, from Peiping

Southwest leaders whose separate declarations as to
their attitude accord with Hu Han Min's declaration.
Doihara now visiting Kwangsi leaders."

WSB

JOHNSON

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

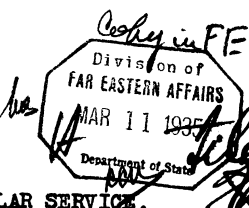
~~RC~~ March 12, 1935.
in the H

Shanghai's 9884,
Feb 16, 1935 in regard to
Sino-Japanese coopera-
tion. Suggest that
it be read in its
entirety.

in the H.

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

No. 2884



AMERICAN CONSULAR SERVICE.

American Consulate General,
Shanghai, China, February 16, 1935.

793.94

Subject: Cooperation Between China and
Japan: New Kuomintang Publication.

For Distribution-Check		Yes	No
Grade	For	9	1
In U S A		✓	✓
Read		ONE	MID

THE HONORABLE

THE SECRETARY OF STATE,
WASHINGTON.

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

Sir:

I have the honor to report that, perhaps in an attempt to dissipate recent prevalent rumors, Mr. Wang Ching-wei, President of the Executive Yuan, during a press interview at Shanghai on February 14, 1935, emphatically denied that the National Government is contemplating the negotiation of a fifty million dollar loan from Japan. The report of this denial appeared in THE CHINA PRESS (Chinese independent daily) of February 15, 1935.

Since the publication of the "Amau Statement", in which Japan warned the world that she alone was responsible for the maintenance of peace and order in the Orient, various and numerous statements of policy have appeared in the press as emanating from Japanese sources as to Japan's position in the Far East and as to the policy to be pursued towards China, one of the most recent and most notable being pronounced by Mr. K. Hirota, Japanese Minister of Foreign Affairs. In

substance

RECEIVED
DEPARTMENT OF STATE
MAR 11 1935

793.94/6902

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MAR 15 1935

F/FG.

-2-

substance the fundamentals of the "Aman Statement" have not been changed but as a matter of practicability more stress is now placed on the help that Japan can and will give if China but abandons anti-Japanese agitation and relies on Japan to the exclusion of American and European assistance. As a development of this latter phase of Sino-Japanese relations, comprehensive plans are reported to have been drawn up by Japanese officials envisaging (1) technical assistance and (2) financial aid in the form of established credits. Repeated reference to these plans, in both the Chinese and the Japanese press, has undoubtedly been the basis for the mention that Japan had offered, or was offering, to loan a large sum of money to China contingent upon China's acceptance of guidance and tutelage by Japan.

It would appear that Japan is bending every effort to bring about the desired rapprochement. While exact information is lacking, there is some ground for belief that the January thirtieth interview between Mr. A. Ariyoshi, Japanese Minister to China, and General Chiang Kai-shek was devoted, in part at least, to the Japanese overtures. It is somewhat significant that shortly thereafter the Generalissimo, in a press interview, dwelt at length on the matter of the Sino-Japanese relations. At this time Mr. Wang Ching-wei, in the course of an interview in which he denied the negotiation of a fifty million dollar loan, suggests that the interview given by the Generalissimo might have brought forth in Japanese circles the slogan of economic cooperation with China, a suggestion which may or may not be accepted as wholly true. In any case, the

-3-

the forthcoming visit of Major-General Doihara of the Kwantung Army to Shanghai and the vernacular press-reported gathering of Japanese military and civil officials in Shanghai to confer with him presage an exchange of views on the Sino-Japanese situation of great momentousness.

On February second, at the same time that Japan was formulating plans for economic, and perhaps for financial, cooperation with China, the local Kuomintang Headquarters issued the first number of a weekly publication entitled "Tang Sung" (Party Voice), with the announcement that the mission of the publication was (1) to comment upon current affairs from the Kuomintang point of view; (2) to propagandize the theories and fundamentals of the "Three People's Principles"; (3) to report to the members the condition of the Tangpu and to bring them into closer contact with the Party; and (4) to raise funds for the relief of those in straitened circumstances. Of greater importance was the second issue of the publication on February ninth in which appeared an essay entitled "A Discussion on the Deadlock of the Sino-Japanese Problem", a summary translation of which reads as follows:

"Recently, Mr. Zi Dao Ling (徐道鄰) wrote an article entitled 'Japan - Enemy or Friend?' a sound piece of composition on the Sino-Japanese Problem which has attracted the attention of most readers who pay attention to the international situation. From historical, cultural, economic and other points of view, both China and Japan will benefit by cooperating and will suffer if they behave otherwise. We can hardly expect, however, as Mr. Zi states in his essay, that Japan should return the four North Eastern Provinces to China as a preliminary step towards reconciliation between the two countries, for Japan will never abandon her policy of conquest.

Consequently

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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Consequently, we feel in our hearts that the only way for us to preserve our existence is to (a) strive for national unification, and (b) strive for an increase in industrial and agricultural production. The recent restoration of the Saar basin to Germany is a distinct reminder to us that only by depending upon our own efforts can we save the country from peril. Nevertheless, should Japan take more account of the future and be willing to settle the disputes between the two countries in an amicable manner and on terms of national equality, China will naturally be very glad to talk matters over with her."

which may perhaps be regarded as a preparation of the masses for a Sino-Japanese accord.

If such an accord is achieved, and a rapprochement does not necessarily imply a "selling out" to the enemy but rather the acceptance of what appears to be the economic inevitable, the utmost sagacity will have to be displayed in the negotiation of terms so that the present regime may not become politically vulnerable.

Respectfully yours,


Edwin S. Cunningham,
American Consul General.

800
CSR MB

In Quintuplicate.

Copy to Legation.

DECLASSIFIED: E.O. 11652, 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 16, 1935.

RCM:
MMH:

SMH
Peiping's No. 3349, February 11, 1935,
under subject "Sino-Japanese Issues:
Position of Chiang Kai-shek".

Enclosed with this despatch is
Nanking's No. 593 of February 5, 1935,
to the Legation, which ~~despatch~~ was sum-
marized in Nanking's confidential tele-
gram No. 22, February 4, 11 a.m. (attached).
Matters of interest not mentioned therein
are that, according to the informant,
extreme nervousness in regard to the
financial situation prevails in govern-
ment circles and among Shanghai bankers
who have been supporting the Government
and that the Finance Minister's action
in employing for a third time government
funds allocated for public works to meet
military expenses has made matters worse.

MSM
MSM/VDM



LEGATION OF THE
UNITED STATES OF AMERICA

No. 3349

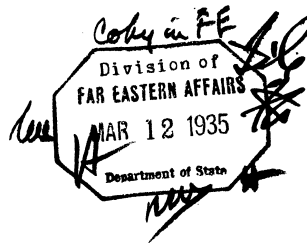
Peiping, February 11, 1935

Subject: Sino-Japanese Issues: Position
of Chiang Kai-shek.

793.94



MAR 11 1935
MAR 11 1935



For Distribution-Check		Yes	No
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For	X		
To file in U.S.A.			
ONI, MID			

793.94/6903

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

COPIES SENT TO
O.N.I. AND M.I.D.
MAR 25 1935

FILED

Sir:

I have the honor to enclose a copy of despatch
1/ No. 593 of February 5, 1935, addressed to the Legation
by the Counselor at Nanking, giving in detail the
information contained in his telegram to the Department
No. 22 of February 4, 11 a.m., with regard to the
present Sino-Japanese situation and the difficulties
besetting General Chiang Kai-shek and the Chinese
Government.

Respectfully yours,

C. E. Gauss,
Charge d'Affaires ad interim.

Enclosure:

F/G

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

- 2 -

✓
Enclosure:

1/ Copy of despatch No. 593, February
5, 1935, from Nanking.

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LES/rd

Original and 4 copies to the Department.

L-593 Diplomatic

ENCLOSURE No. 3349
TO DESPATCH No.

Nanking Office,
February 8, 1935.

CONFIDENTIAL.

Subject: Sino-Japanese Issues: Position of
Chiang Kai-shek.

C. E. Goss, Esquire,

American Chargé d'Affaires, a. i.

Peiping.

Sir:

I have the honor to refer to this office's confidential telegram of February 4, 11 a.m., reporting the substance of remarks made to a member of my staff concerning the present Sino-Japanese situation and the difficulties besetting General Chiang Kai-shek and the Chinese Government.

The informant in question is an American adviser to the Chinese Government who is close to a number of important figures in Chinese government and political life, including Mr. T. V. Soong, whom he has known well for a number of years, Mr. Cha Chia-hun, the Minister of Communications, and others.

The informant, who recently visited Shanghai, stated confidentially to Secretary Atcheson that from conversations, both in Shanghai and Nanking, with Mr. Soong and other leaders, he was impressed by the heavy pessimism which was pervading the official atmosphere due to the recent Japanese

officers

- 2 -

offers or demands which were considered as being in the nature of the last straw upon the back of a government already overburdened with financial difficulties for which there seems no solution and confronted with the gloomy prospect of failure in the campaign against Communist bandits in Szechwan.

As stated in the telegram, the informant said that his understanding was that the exact nature of the Japanese proposals was known only to General Chiang Kai-shek, Madame Chiang Kai-shek and one other Chinese protagonist. He believed it possible, although he was careful to say he had not heard, that the third and unknown figure might be General Huang Fu and his opinion accordingly has interest in connection with recent speculations in some circles, reported by this office, as to whether General Huang Fu might not be appointed Minister of Foreign Affairs to replace Dr. Wang Chiang-wei.

Whatever the exact nature of the Japanese proposals, the informant remarked that their general nature was apparent to other Government leaders from recent press despatches from Tokyo purporting to outline specific features of Japanese policy toward China. He said that none of the leaders with whom he had talked had any doubt but that Japan is determined to dominate in Chinese affairs along political and economic lines which could be easily envisaged and no one doubts that Japan will succeed in these aims. If General Chiang Kai-shek capitulates to the Japanese, even in the matter of accepting financial assistance for himself or the Government, he will be accused of "selling out" China to Japan and both his

Friend

- 3 -

1
friends and some of his many enemies fear that in such a contingency he will be assassinated, the "Fears" of the latter being real because they realize that if the Generalissimo is eliminated from the Chinese scene the Government can not stand and chaos will result. General Chiang is regarded as being in an inextricable position because the success of the Japanese is assumed in advance. One result of this belief, already apparent, is that many Chinese officials who hitherto have been pro-American or pro-European are swinging to an ostensible pro-Japanese attitude that is nevertheless real because it is self-protective in nature. This transformation in sentiment, he stated, has progressed so far that the advisers sent by the League of Nations are worried over the probability of dismissal.

The financial situation alone, according to the informant, has caused an extreme nervousness in Chinese Government circles and among the bankers in Shanghai who have been supporting the Government. They are, in the informant's words, "very jumpy". He stated that from what he had heard there is no prospect of a loan from British or American sources and he mentioned that the Ministry of Finance is working night and day with its American advisers to devise some scheme which he thought might be in the nature of currency devaluation or which would at least have the same result as devaluation as far as exchange value of the Chinese currency would be concerned. He said that matters had been made worse recently by the Finance Minister, Mr. H. H. Kung, who, within the last two weeks, had made his

third

- 4 -

third great raid on Government funds allocated for public works, in order to meet military expenses.

As regards the Communist situation, it was stated by the informant (who appears to have discussed this question with German military advisers as well as with members of the Chinese Government) that "no one" believes that the Szechwan campaign can be successful. Neither the provincial nor the national troops will fight and the generals will not cooperate with each other (A similar statement made to Mr. Atcheson by a Chinese military officer of rank was reported in this office's despatch No. L-573, Diplomatic of January 21, 1953; to the Department unnumbered, same date) and the Szechwan terrain and other conditions offer military problems that are much more serious than was the case in Kiangsi.

While these statements of the informant are possibly biased by a personal pessimism, or the pessimism of the particular men in political life who have discussed these matters with him, they undoubtedly reflect current feeling in certain important Chinese official circles and may at least, it seems to this office, be accepted as indicating the growing seriousness of the problems facing the quasi-dictatorship of General Chiang Kai-shek and Madame Chiang Kai-shek. In this particular connection, it may be of interest that, according to the informant, included in the increasing number of charges against General Chiang laid not only by enemies but by supporters is one that the present Government is a "petticoat Government" controlled at least as much by Madame Chiang as by her husband.

Enclosure.

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

- 5 -

because, the informant states, heads of ministries must now ordinarily arrange interviews with the Generalissimo through Madame Chiang, who often refuses at her own option to grant them.

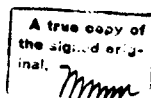
Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Original and five copies to Legation
Copy to Embassy, Tokyo.

800.

GAJ:RLM



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



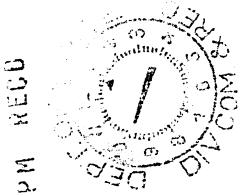
LEGATION OF THE
UNITED STATES OF AMERICA

No. 3350

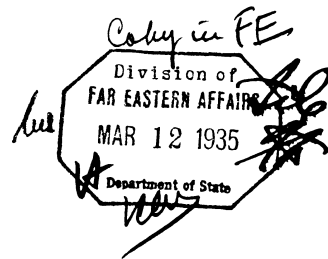
Peiping, February 11, 1935

Subject: Sino-Japanese Issues: Chiang Kai-shek and T. V. Soong.

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MAR 11 35



793.94/6904

For Distribution-Check		Yes	No
Grade			
For	X		
To file in U.S.A.			
ONI, MID			

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

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

Sir:

1/ I have the honor to enclose a copy of despatch No. 597 addressed on February 6, 1935, to the Legation by the Counselor at Nanking, which forwards a copy of a memorandum of a conversation with a Chinese informant who is believed to be reliable, in which it is stated that Dr. Sun Fo recently declined General Chiang Kai-shek's offer of the post of President of the Executive Yuan, following which Mr. T. V. Soong also declined the post, the latter on the ground that he would not accept unless a policy of resistance against the Japanese

MAR 14 1935


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- 2 -

Japanese were adopted.

Respectfully yours,


C. E. Gauss,
Chargé d'Affaires ad interim.

Enclosure:

- 1/ Copy of despatch dated February
6, 1935, from Nanking to the
Legation, No. 597.

710

LES/rd

Original and 4 copies to the Department.

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

L-597 Diplomatic

ENCLOSURE No. 3350
TO DESPATCH No.

Nanking Office,
February 6, 1935.

CONFIDENTIAL

Subject: Sino-Japanese Issues; Chiang Kai-shek and T. V. Soong.

C. K. Gauss, Esquire,
American Charge d'Affaires, ad interim,
Peiping.

Sir:

1/ I have the honor to enclose a memorandum of an interesting conversation with a reliable Chinese informant in which he stated to Secretary Acheson of this office that General Chiang Kai-shek had recently proffered Mr. T. V. Soong the Presidency of the Executive Yuan and the portfolio of Minister of Finance, but that Mr. Soong had agreed to accept these positions only under certain conditions, among which was a stipulation that a volte face be made in the Chinese Government's policy toward Japan and that further Japanese aggression or encroachments should be met with armed resistance.

The informant is a personal friend of Mr. T. V. Soong, is a member of the National Defense Commission and holds titular positions in one Ministry and another Government office, although he has no active duties in connection with them. Mr. Acheson, who has known the informant well for several years, considers him unusually frank and honest when speaking with friends and considers him a reliable

SOURCE

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

-8-

source of information. I, also, have known the informant
for a number of years and I concur in Mr. Atcheson's es-
timate.

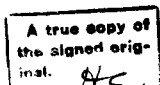
Respectfully yours,

Willys R. Peak,
Counselor of Legation.

Enclosure:
1/ Memorandum of conversation.

Original and five copies to the Legation.

WRP:HC



MEMORANDUM OF CONVERSATION

Nanking China,
February 6, 1935.

Subject: Sino-Japanese Issues; Chiang
Kai-shek and T. V. Soong.

A Chinese who is on terms of friendship with Chinese leaders.
Mr. Atcheson.

(Following is the substance of the informant's remarks during the course of the evening of February 5, 1935, in private conversation with Mr. Atcheson at the latter's residence.)

The informant, who takes a gloomy view of the present situation, stated that General Chiang Kai-shek, in an effort to extricate himself from the seemingly insurmountable current difficulties, had not long ago offered Dr. Sun Fo the post of President of the Executive Yuan to replace Dr. Wang Ching-wei, having also possibly in mind the appointment of General Huang Fu to be Minister for Foreign Affairs. Dr. Sun, however, declined the appointment because he realized that he does not now possess sufficient personal power or influence to undertake the Presidency of the Executive Yuan. Following Dr. Sun's refusal of the post, General Chiang went so far as to make a belated but nevertheless serious attempt at patching up his relations with Mr. T. V. Soong and offered Mr. Soong both the Executive Yuan Presidency and a concurrent appointment to Mr. Soong's former post of Minister of Finance.

Mr. Soong was anxious to lend his support to the Government in the present crisis if he could do so in a way which conformed to his political ideals, and agreed to accept both appointments, but felt it necessary to stipulate certain conditions with the result that no changes have been made. Mr. Soong's conditions, of course, involved resistance

against

-2-

against the Japanese. This was the policy he had advocated in 1931 before the Japanese capture of Chinchow and in 1933 before the occupation by the Japanese of Jehol. He had urged General Chiang and other leaders to take up arms against the Japanese on the principle that China should be defended and the Government's face saved. He had pled that the Chinese should fight until defeated and that if they were defeated China, having no other recourse, should accept defeat even if it meant accepting as a fait accompli the loss of Manchuria and Jehol. Mr. Soong contended that if the Chinese Government and the Government troops had done their best against the invaders, the situation would have been much improved over what it is today, because the people would still be behind the Government. His policy in the present situation remains identical. He contends that China should resist by force of arms any further aggression or encroachments on the part of the Japanese and should not accept defeat without at least first fighting for victory.

These are the conditions which Mr. Soong made precedent to acceptance of the Presidency of the Executive Yuan and the portfolio of Minister of Finance. They are conditions which General Chiang is unwilling or unable to accept.

In commenting on the various influences to which General Chiang may be subject in his decisions, the informant mentioned the peculiar place held by Madame Chiang. In the informant's words, Madame Chiang "runs" the Generalissimo and her sister, Mrs. H. H. Kung, "runs" Madame Chiang. The informant did not consider Madame Kung's influence a beneficent one.

The question of the appointment of a new Minister for Foreign Affairs is still in doubt, according to the informant.

General

DECLASSIFIED: E.O. 11652, 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-

General Chiang hesitates to appoint General Huang Fu because of the possibility that such appointment might be considered as "selling out" to the Japanese. Dr. Wang Ching-wei, the informant stated, is not anxious to retain the post, cares little or nothing for it and gives it practically no attention. In fact, the informant went on to say, one of the chief reasons why the present situation seems so hopeless is that the Government is clogged with high officials who care little for their duties, most of them indeed seeking only personal gain. He named the Minister of the Interior, Dr. Kan Nai-kuang, as being one official who is vigorously sincere in attempting to accomplish something in what is now an unimportant post, and mentioned another Minister, in an extremely important position, as continually using his office to further his private financial speculations. The informant thought that if General Chiang and Mr. Soong could, in some way, come to an harmonious understanding and cooperation, and Mr. Soong be made Finance Minister again, China's path might perhaps be easier.

GAjr:HC



LEGATION OF THE
UNITED STATES OF AMERICA

No. **3352**

February 12, 1935

Subject: The Status of Dolonor, Chahar Province.

CONFIDENTIAL

793.94



PM RECD



MAR 11 1935

For Distribution-Check		Yes	No
Grade			
For	X		<input checked="" type="checkbox"/>
To field In U.S.A.			

793.94/6905

The Honorable

The Secretary of State,

Washington, D. C.

Sir:

1/

I have the honor to enclose a memorandum of a conversation which a secretary of the Legation had on February 5 with Mr. Owen Lattimore, reputable and well-known writer on Far Eastern questions and editor of PACIFIC AFFAIRS, with regard to the political and military situation at Dolonor, Chahar Province, which Mr. Lattimore recently visited.

Mr. Lattimore found several Japanese at Dolonor acting in various capacities, one, a major in the Kwantung Army, being the ranking administrative authority and another being the chief of police.

Mr.

MAR 25 1935

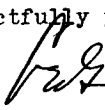
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- 2 -

Mr. Lattimore stated that Japanese and "Manchukuo" flags were flying and that currency in circulation in Dolonor and its district (hsien) was "Manchukuo", not Chinese. When he asked one of the Japanese whether Dolonor was still a part of China, he was informed that it was neither Chinese nor "Manchukuo" but "a sort of special area", which "Manchukuo" was helping to achieve an efficient administration. This special status was indicated by the character of the two or three regiments of troops there. These troops were wearing uniforms similar to the Chinese but had "Manchukuo" insignia on their caps. A further indication of the altered situation was the fact that motor-bus communication between Dolonor and Kalgan has been largely broken off because of the fear of the Kalgan Chinese authorities that such buses might be confiscated at Dolonor. Mr. Lattimore regarded the hybrid organization at Dolonor as an excellent nucleus for any program of expansion which might be initiated in the future in that area.

Respectfully yours,


C. E. Gauss,
Chargé d'Affaires ad interim.

Enclosure:

- 1/ Copy of memorandum of conversation, February 5, 1935, between Mr. Lattimore and Mr. Clubb on the political situation at Dolonor.

710

1

JM

LES/rd

Original and 1 copy to the Department.
Copy to Tokyo.

CONFIDENTIAL

SECURITY No. 13352
TO DISPATCH No.

MEMORANDUM OF CONVERSATION. Peiping, February 5, 1935.

Subject: Political Situation at Dolonor.

Present: Mr. Owen Lattimore (Editor of PACIFIC AFFAIRS).

Mr. Edmund O. Clubb.

Mr. Lattimore has just returned from a two weeks' trip into Inner Mongolia, and this trip included a short stop at the city of Dolonor. He stated that he discovered neither Japanese nor Manchukuo troops there, but there were no Chinese troops in the area (comprising all of Dolun Hsien) either. The person who ranked in authority in the administration of Dolonor, however, was a Japanese major in command of the local branch headquarters of the Kwantung Army 陸軍特務司令部 (name unknown) and there were said to be some five or six other Japanese located in the city acting in various capacities. Mr. Lattimore said they - he and his companion Mr. Peter Fleming - saw several of these Japanese, who were of a likeable and very able type, and that it was quite conceivable that there were more Japanese in the area than reported. The chief of police is a Japanese. The flags flying in the city were Japanese and Manchukuo, and the currency of the hsien was Manchukuo, not Chinese. The troops (numbering either two regiments of cavalry and one of mixed cavalry-infantry, or one of cavalry and one

of

- 2 -

of mixed cavalry-infantry) were well-clad in uniforms similar to the Chinese, but on their caps they wore a Manchukuo insignia; they receive \$8.00 per month, go about largely unarmed (everything is peaceful in the district, with no banditry), and eat well at the local restaurants paying for what they buy.

In these circumstances, Mr. Lattimore in a conversation with one of the Japanese asked whether the area comprising Dolonor was considered a part of Manchukuo, and was met with a definite denial that such was the case. He asked whether Dolonor was then still a part of China, and was informed that this wasn't the fact, either. Dolonor, according to the Japanese, constituted "a sort of special area": the inhabitants, long oppressed by the Chinese rule, had (according to Mr. Lattimore's statement, under the leadership of Li Shu-ch'un) requested that Manchukuo extend its benevolent rule to Dolonor, but Manchukuo, not desiring to incorporate the area in its own territories, was doing no more than help the region to achieve an efficient administration freed from the old encumbrances. Communications between Dolonor and Kalgan had been largely broken off, at least so far as bus service was concerned, by reason of the refusal of the Kalgan Chinese authorities to permit buses to leave for the former city because

of

- 3 -

of their fear that they would be confiscated. As regards the revenue of the administration, it was stated that this was chiefly derived from the tax on salt, which now is imported into the district from Manchukuo: whereas the Manchukuo salt-tax is \$5.00 per picul, salt destined for Dolonor pays but \$3.00 in Manchukuo, the remaining \$2.00 being assessed by the Dolonor authorities on the imported salt. According to Mr. Lattimore, this salt-tax did not seem sufficient to support the efficiently run Dolonor administration, and it was probable that the deficit was made up by a subsidy from Hsinking.

Mr. Lattimore observed that this hybrid organization at Dolonor constituted an excellent nucleus for any program of expansion that might be initiated in this area in the future. In fact, one person in Dolonor (the Chinese head of the bus company?) observed, in reply to a question regarding the length of time that might be expected to elapse before Dolonor hsien expanded as far southward as Kalgan, that "the sooner the better it will be for all of us".

In reply to a question concerning the probable effectiveness of any Japanese movement westward against Outer Mongolia making use of the services of Semenov and his White Russians, Mr. Lattimore gave it as his opinion that any such employment of

Semenov

- 4 -

Semenoff would be a great mistake for the Japanese to make, inasmuch as the Mongols had had their fill of White Russians during the period when Ungern von Sternberg held court at Uрга.

Concerning the Chahar trouble of the past couple of weeks, Mr. Lattimore said that the indications were that the fighting probably was largely imaginary, for there were no refugees or disorder to be observed in the region west of the disputed area, according to Mongol advices. The supposition was that the Japanese wanted an excuse to round out their territory, and the Chinese troops an excuse to retreat before the threat.

EC/js.

A true copy of
the signed original.
J-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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS
March 13, 1935.

RCM:
MMF:

Peiping's No. 3366, February 15, 1935,
on the subject "Sino-Japanese Clash in
Southeastern Chahar Province."

The despatch encloses a copy of a
map which was prepared in the office of
the Military Attaché showing the area
in dispute.

The despatch refers to the alarming
reports of impending Japanese military
action which were in circulation in
October and November, 1934, and to the
explanation given at that time by the
Japanese Counselor of Legation to the
effect that these reports were due to
the removal at Japanese instance of
Chinese administrative officials from
that area.

It is now understood, the despatch
adds, that Chinese civil and military
officials withdrew at that time from all
but the northern part of the disputed area.

The despatch states further that
according to the Japanese the immediate
cause of their military action was (1)
the failure of Chinese troops to withdraw
from the area after having promised to
withdraw

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

- 2 -

withdraw by December 31, and (2) an attack on Japanese troops by a Chinese force. The despatch also states that although it may be doubted that there was any attack by Chinese -- information supplied by Chinese military sources supports this view -- a Chinese civilian official stated that there were definitely some Chinese troops in the area. According to a statement of this informant, the despatch continues, it was agreed during the negotiations of last autumn over the establishment of normal postal communications between China and "Manchukuo" that the disputed area should be administered by "Manchukuo" and that General Sung Che-yuan, Chairman of the Chahar provincial administration, would be directed to withdraw his officials and troops. Due to the delay in carrying out this agreement, as stated by the informant, the Japanese troops moved into the disputed area.

The despatch adds that the matter was settled February 2 at a thirty minute conference held at Tat'an in western Jehol and that both sides claim that no secret understandings were arrived at. The Legation surmises however that some sort of a demilitarized zone has been created and states that there is some cause to believe that

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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

- 3 -

that an understanding was reached for the
eventual establishment of through motor
traffic between Jehol City and Kalgan.


MSM/VDM

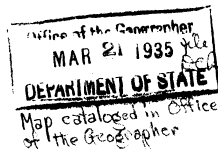
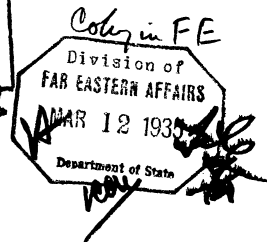
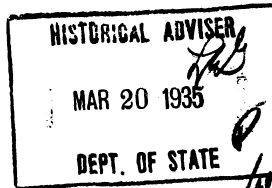


LEGATION OF THE
UNITED STATES OF AMERICA

No. **3366**

Peiping, February 15, 1935

Subject: Sino-Japanese Clash in Southeastern
Chahar Province.



For Distribution-Check		Yes	No
Grade	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
For	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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DEPARTMENT OF STATE

1935 MAR 11 PM 1 06

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FILED

22-35

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

I have the honor to refer to my telegram No. ⁶⁸³⁷36 of January 25, 5 p.m., reporting Japanese military action on January 23 and 24 in territory in southeastern Chahar Province where sovereignty is now claimed by "Manchukuo", and to my telegram No. 64 of February 6, 4 p.m. ⁶⁸⁵⁸reporting that the incident had been settled February 2 at a conference of Japanese and Chinese military officers.

The area in dispute lies east of that stretch of the Great Wall which runs from north to south in southeastern Chahar Province and extends eastward to

the

F/G

- 2 -

1/ the usually acknowledged Chahar-Jehol border, ending at the northwest at a line running from the northernmost point of the Great Wall to the Jehol-Chahar border slightly east of Kuyuan. A copy of a map, prepared in the office of the Military Attaché, is enclosed for reference.

The first public claim to this area made by a Japanese official is believed to be that put forward in December, 1933, to the press by the Japanese Assistant Military Attaché at Peiping (Legation's despatch No. ^{393.00 PR/77} 2488 of January 31, 1934, page 4). Then, in October and November 1934, there was activity with respect to this area which caused the circulation of alarming reports of impending Japanese military action but which was explained by the Counselor of the Japanese Legation at Peiping as due to the removal at Japanese instance of Chinese administrative officials from the disputed area (Legation's despatch No. ^{793.94/6817} 3149 of November 21, 1934, page 2). It is now understood that Chinese civil and military officials withdrew at that time from all but the northern part of the disputed area. It is supposed that the Japanese military wished to include this area within the boundaries of "Manchukuo" (1) because of the strategic value for border defense of the Great Wall and of the high terrain existing in the northern part of the area, and (2) because of the possible intention of pushing the boundary even farther westward at some future time, the present step being perhaps but one of a series of steps in expansion at the expense of Chahar Province.

The immediate cause of their military action

was

- 3 -

was stated by the Japanese to have been (1) the failure of Chinese troops to withdraw from the area after having promised to withdraw by December 31, and (2) an attack on Japanese troops by a Chinese force. The Japanese may also have presumed that military action would have a salutary effect on Chinese officials then in conversation at Nanking with Japanese officials with regard to closer "cooperation" between the two countries.

It is doubtful, however, that there was any attack by Chinese, and, furthermore, according to information given by the Minister of War and by the Peiping Branch Military Council to the Military Attaché, there were only Chinese police in the area at the time of the Japanese military action. This statement, however, may have been made for the purpose of minimizing the importance of the incident, as, according to a Chinese civilian official, there were definitely some Chinese troops in the area.

According to this last-mentioned official, the Nanking Government was considerably to blame for the affair and the Japanese military had some excuse for taking the action which they did. This official's account also helps to explain the surprising silence which Chinese officials at Nanking maintained following the Japanese action. According to his statement, the National Government, during the negotiations of last October, November, and December over the establishment of normal postal communication between China and "Manchukuo", agreed that this disputed area should be administered

- 4 -

administered by "Manchukuo" and subsequently informed the Japanese that General Sung Che-yuan, Chairman of the Chahar Provincial Administration, would be directed to withdraw his officials and troops. However, the National Government pusillanimously delayed and did not inform General Sung until January 15, following which General Sung delayed in ordering his men to move out of the area. As a result, the Japanese, finding Chinese troops present long after they were supposed to have received Nanking's orders, began to drive them out. Whatever the actual situation, the Japanese military inflicted considerable damage on two towns, one, Tungchatzu, at the Great Wall, and the other, Tushihk'ou, west of the Great Wall. The primary reason for the bombing of Tushihk'ou, which lies outside the disputed area, appeared to be no more than excessive exuberance of an unfortunate variety on the part of the Japanese.

Shortly after the military action occurred, informal conversations were held between Chinese and Japanese military officers both at Peiping and at Kalgan, as a result of which a thirty minute conference took place February 2 at Tat'an, in western Jehol Province, during which the affair was settled. Although the Chinese and Japanese versions of the agreement which was reached at Tat'an differ, it would seem that the area was left in the undisputed control of the Japanese.

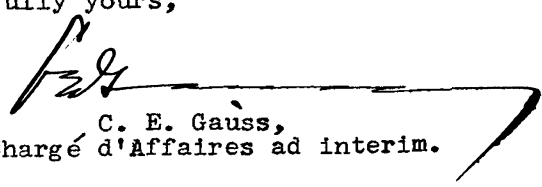
Both sides claim that no secret understandings were arrived at. It seems reasonable, however, to suppose that the Japanese probably obtained Chinese agreement

DECLASSIFIED: E.O. 11652, 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 -

agreement not to station troops within a certain distance to the west of the disputed area. In other words, it would not be surprising to learn that some sort of a demilitarized zone had been created. There is also some cause to believe that an understanding was reached for the eventual establishment of through motor traffic between Jehol City and Kalgan. What other, if any, agreements detrimental to Chinese sovereignty may have been entered into it is impossible to discover at present, and it may be that none was made for the reason that the Japanese military may have thought that an indication of "cooperation" in solving the Chahar trouble might have a desirable effect on the concurrent negotiations at Nanking with regard to Sino-Japanese "cooperation" on a larger scale.

Respectfully yours,


C. E. Gauss,
Chargé d'Affaires ad interim.

✓
Enclosure:

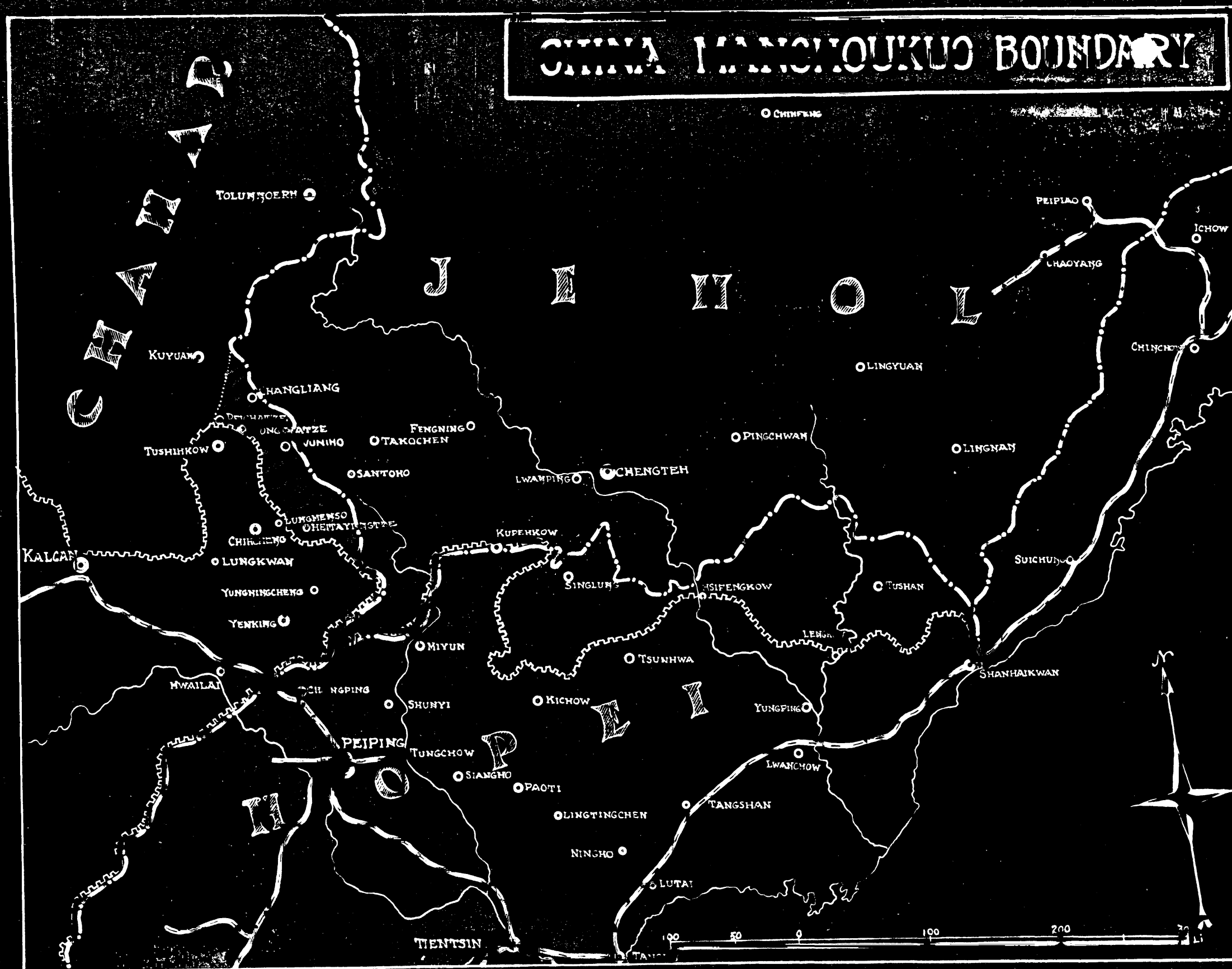
1/ Copy of map prepared in the office
of the Military Attache showing
China Manchukuo Boundary.

710

LES/rd

Original and 4 copies to the Department.

Copy to Tokyo.



To accompany Report No. 9035.

JANUARY 31, 1935. PREPARED IN M. A. OFFICE, PEIPING, CHINA.

0292

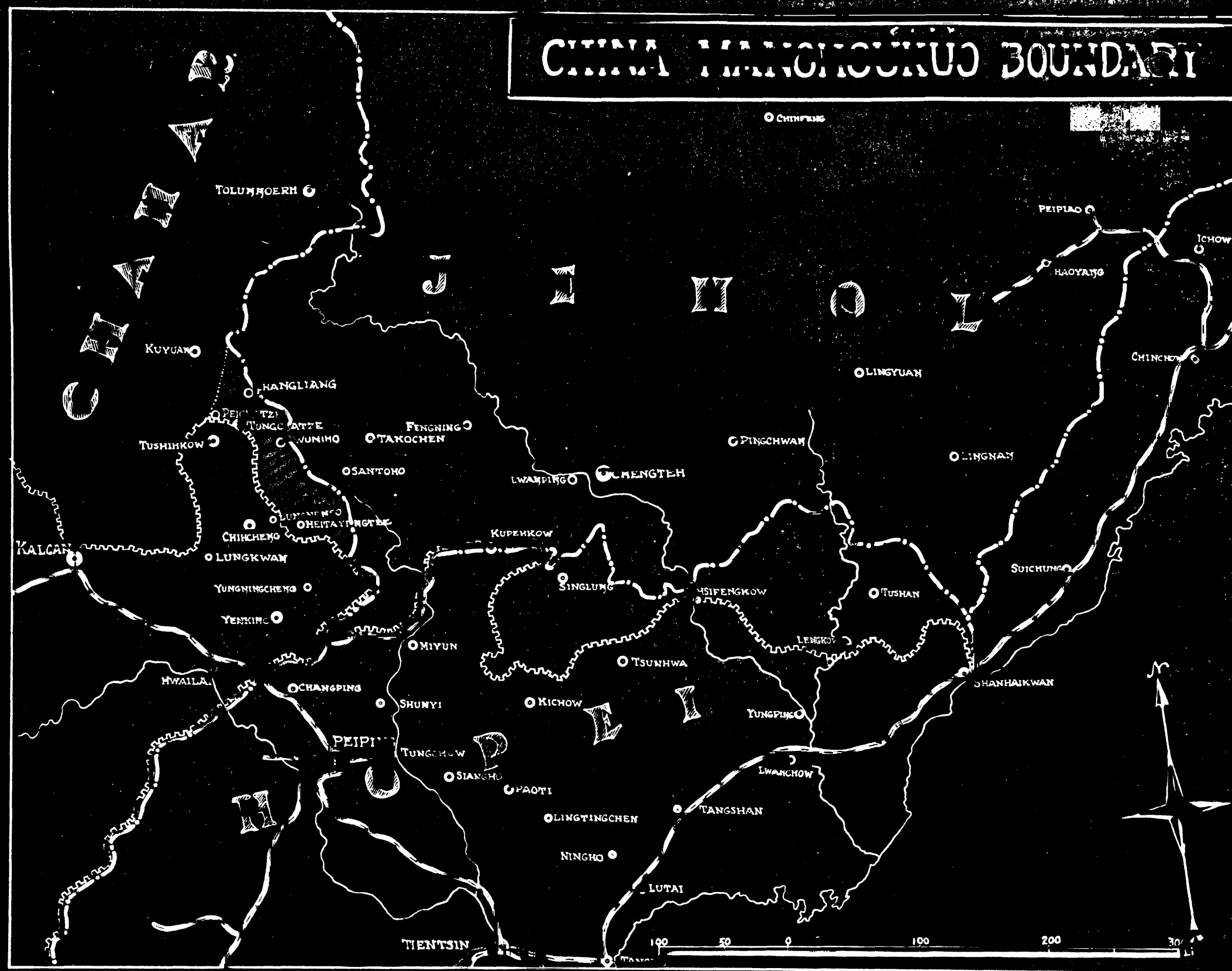
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JANUARY 31, 1935. PREPARED IN M. A. OFFICE, PEIPING, CHINA

DECLASSIFIED: A.O. 11052, Sec. 1.7.1 and 1.9.2 OF (E)
Department of State release, August 10, 1972
By: DPMO 2-4-86 Date: 12-18-78

0293

CHINA MANCHURIAN BOUNDARY



To accompany Report No. 9035.

JANUARY 31, 1935. PREPARED IN M. A. OFFICE, PEIPING, CHINA.

0294

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS
March 15, 1935.

~~MMH: CKN~~

Nanking's confidential despatches of January 21 and 23, 1935, in regard to Japanese policy.

The despatch of January 21, on the basis of information supplied by a reliable foreign newspaper correspondent who had had a confidential conversation with Mr. Suma, First Secretary of the Japanese Legation at Nanking, states that, according to Mr. Suma, the Japanese military were pressing for more forthright action to obtain a settlement of the many outstanding issues between China and Japan while the Foreign Office continued to hope that these problems could be settled by negotiation. Mr. Suma emphasized, according to the informant, that the Japanese Government was determined to reach a settlement of the outstanding questions and that one of the principal Japanese requirements was "tranquility along the Great Wall", stating further that Japan was prepared to take full responsibility for its actions with respect to China and "Manchukuo" and insisted upon having freedom of action to work out a settlement of these problems.

The despatch of January 23, in referring to the above-mentioned despatch, states

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

- 2 -

states that leaders in the Chinese Government do not appear to anticipate any real trouble in north China and that General Huang Fu, according to a reliable informant, is not in the least pessimistic. The despatch further refers to the absence of dependable information in regard to recent and current Japanese pronouncements and conversations and mentions information supplied by a Chinese informant, who had valuable official contacts, to the effect that Japanese agents had demanded of the Chinese Government an "offensive and defensive alliance".

MSM
MSM/VDM

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



PM RECD



LEGATION OF THE
UNITED STATES OF AMERICA
Nanking Office,
January 21, 1935.

793.94

CONFIDENTIAL

MAR 12 35



Subject: Japanese Policy; Remarks of Nanking
Representative of Japanese Legation.

The Honorable

The Secretary of State,
Washington.

For Distribution-Check		Yes	No
Grade	To field		<input checked="" type="checkbox"/>
For	In U.S.A.	<input checked="" type="checkbox"/>	

ONI & MID

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

Sir:

1/ I have the honor to enclose herewith a copy of my
confidential despatch to the American Legation at Peiping
No. L-572 Diplomatic, dated January 21, 1935, on the sub-
ject indicated above.

Respectfully yours,

Willys M. Peck
Willys M. Peck,
Counselor of Legation.

MAR 25 1935

FILED

✓
Enclosure:
1/ As stated.

4

JM

Original and four copies to the Department.

GAjr:HC

F/FG.

793.94/6907

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

L-572 Diplomatic

Nanking Office,
January 21, 1935.

CONFIDENTIAL

Subject: Japanese Policy; Remarks of Nanking
Representative of Japanese Legation.

C. E. Gauss, Esquire,

American Chargé d'Affaires, ad interim,
Peiping.

Sir:

I have the honor to report the substance of a confidential conversation between a reliable foreign newspaper correspondent and Mr. Y. Suma, First Secretary of the Japanese Legation and Japanese Consul General at Nanking, as related by the former to a member of my staff.

As the Legation is doubtless aware, Mr. Suma has but recently returned from leave of absence which included a visit to Japan and, according to the informant, his remarks were in the nature of a reply to questions as to the meaning of various recent rumors concerning possible trouble in North China and the nature of the intentions of the Japanese Government with respect to that area at the present time.

Mr. Suma began his reply by indicating that he spoke with authority, having (as he said) discussed Sino-Japanese problems with the Japanese Foreign Office, members of the Japanese Cabinet and with General Minami, newly appointed Japanese Ambassador to "Manchukuo" and Commanding General of the Kwantung army. Regarding matters of general policy, Mr. Suma stated that, as was evident to all observers, the Japanese military were pressing for more forthright action to obtain the settlement of the many issues

which

-2-

which remained outstanding between China and Japan whereas the Foreign Office continued in its hope that these problems, like many important problems in the past, could be eventually settled by negotiation. Whether there would be a definite change from the present and recent policy of negotiation, Mr. Suma professed to be unable to say. This would depend, in part, upon the measure of success which should attend further attempts at settlement by negotiation and, possibly, upon whether there should arise any emergency which might require a different method. Mr. Suma referred several times to a "possible emergency" and stated with considerable emphasis, both of voice and gesture, that the Japanese Government was determined upon arriving at a settlement of the outstanding questions and that one of the principle Japanese requirements was "tranquility along the Great Wall". These words he also repeated more than once and went on to say that Japan was prepared to take full responsibility for her actions with respect to China and "Manchukuo" and "insisted" upon having freedom of action to work out the settlement of the problems involved. The abrogation of the Washington naval treaty, he said, was the first great step in illustration of this insistence.

Referring to reports that General Chiang Kai-shek would proceed to Chengtu, Mr. Suma stated that according to his information such reports were true and he implied that there were reasons other than the Communist situation which might make it advisable from General Chiang's point of view to go there, particularly if any trouble should arise in the North.

Incidentally.

-3-

Incidentally, Mr. Suna denied responsibility for the invention of the terms "water fowl policy" and "woodpecker policy" which have been added to the journalese diplomatic jargon of the Far East since his visit to Tokyo. He said he understood the former but he could not yet be sure how the latter might be defined.

Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Original to Legation.
Five copies to Department under cover of despatch
of January 21, 1936.
Copy to Consulate General, Tientsin.

GAJr:MC

A true copy of
the signed original.
AK

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



PM RECD



LEGATION OF THE
UNITED STATES OF AMERICA
Nanking Office,
January 23, 1935

Copy in file
Division of
FAR EASTERN AFFAIRS
MAR 13 1935
Department of State

793.94

CONFIDENTIAL

MAR 12 35

Subject: Japanese Policy.

The Honorable

The Secretary of State,
Washington.

For Distribution-Check		Yes	No
Grade	<input checked="" type="checkbox"/>	To field	<input checked="" type="checkbox"/>
For		In U.S.A.	

Sir:-

1/ I have the honor to enclose herewith a copy of
my confidential despatch to the American Legation at
Peiping No. L-575 Diplomatic, dated January 23, 1935,
on the subject indicated above.

Respectfully yours,

Willys R. Peck
Willys R. Peck,
Counselor of Legation.

4

JM

Original and four copies to the Department.
enclosure
GAjr:HC

793.94/6908

F/FG.

L-575 Diplomatic

Nanking Office,
January 23, 1935.

CONFIDENTIAL

Subject: Japanese Policy.

C. E. Gauss, Esquire,

American Chargé d'Affaires, ad interim,
Peiping.

Sir:

I have the honor to refer to this office's despatch No. L-572 Diplomatic of January 21, 1935, on the subject of the present Japanese policy with respect to China.

It is learned from a reliable source that Mr. Suma, representative in Nanking of the Japanese Legation, who is now sometimes referred to in the press as the "real Japanese Minister to China", called on General Chiang Kai-shek on January 21 and on General Huang Fu yesterday, January 22. In spite of these calls, however, and his somewhat bombastic remarks as set down in recent press interviews and those reported in the despatch under reference, the leaders in the Chinese Government do not appear to anticipate any real trouble in North China. A member of the staff of this office has been informed by a reliable Chinese who is in a position to know General Huang's opinions, that General Huang himself is not at all pessimistic and in illustration of his attitude, the informant stated that General Huang was planning to remain here for at least three weeks longer in order to have "a little holiday". Incidentally General Huang has

not

-2-

not yet been inducted into his new office of Minister of the Interior and does not seem to evince a great deal of interest in the portfolio. According to a high Chinese official who conversed with the Counselor and the Second Secretary on January 22, the Ministry of the Interior is "a side issue" with General Huang.

Incidentally, the first mentioned informant, who is also an official, stated that it was only after considerable persuasion that General Huang Fu had decided to accept the post of Minister of the Interior and that he did so more as a matter of political expediency than because of any interest in the position itself. It was, the informant indicated, pointed out to General Huang that if he should lose his somewhat precarious billet in the North he would still remain in a strong position in the Government as Minister of the Interior, which is the ranking ministry and might be a stepping stone to the Presidency of the Executive Yuan.

As to the realities behind the recent and current Japanese pronouncements and "conversations" little dependable information can be obtained in Nanking. The theory has been advanced that the Japanese Foreign Office itself has not presented any proposals for a "non-aggression" or other similar "alliance" with China, but that Japanese military spokesmen have made something in the nature of a demand along that line, with a view to causing the Chinese Government to meet their desire for the appointment of Japanese military advisers who would, in effect, exert a great measure of control over the National armies. As against this theory, a Chinese, who is not in official position but has valuable official contacts, informed the Counselor on January 21

that

-3-

that he had positive knowledge that Japanese agents had demanded of the Chinese Government an "offensive and defensive alliance".

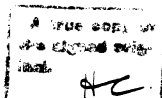
The story seems generally discounted that the present difficulties in Chahar are the result of scheming on the part of the Kuantung Army for an excuse to erect block-houses and forts along the border of Inner Mongolia as a defense against possible attack by the Soviet Union. According to one Chinese official, of whose remarks this opinion is a reflection, the simple truth of the matter is that the Japanese wish all of the territory north of the Great Wall to be incorporated in "Manchukuo".

Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Original to the Legation.
Five copies to the Department under
cover of despatch of January 23, 1935.
Copy to Consulate General, Tientsin.

GAjr:HC



DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 15, 1935.
RCM
W. H. H. S. H.
to note short despatch
dated Jan. 24, '35 - from
Nanking reporting remarks
of Mr. Sunma to a foreign
press correspondent, as
related by the latter,
in regard to Japanese
policy vis-a-vis China.
Mr. Sunma is reported to
have said that the fundamental
issues between China & Japan
which had brought about the
Tangchow truce remained
unchanged.
C.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



LEGATION OF THE

5 UNITED STATES OF AMERICA

RECEIVED
DEPARTMENT OF STATE

Nanking Office,
January 24, 1935.

1935 MAR 12 AM 10 09

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CONFIDENTIAL

COMMUNICATIONS
SECTION

Copy in FE
Division of
FAR EASTERN AFFAIRS

MAR 13 1935

Subject: Japanese Policy; Remarks of Japanese
Legation Representative in Nanking.

The Honorable.

The Secretary of State,
Washington.

For Distribution-Check		Yes	No
Grade			
For	X		✓
To field In U.S.A.			

Sir:

- 1/ I have the honor to enclose herewith a copy of my
confidential despatch to the American Legation at Peiping
No. L-578 Diplomatic, dated January 24, 1935, on the
subject indicated above.

Respectfully yours,

Willys R. Peck

Willys R. Peck,
Counselor of Legation.

MAR 25 1935

FILED

✓
Enclosure:
1/ As stated.

Original and four copies to the Department.

HC

793.94/6909

F/FG.

4

J.G.N.

L-578 Diplomatic

Nanking Office,
January 24, 1935.

CONFIDENTIAL

Subject: Japanese Policy; Remarks of Japanese
Legation Representative in Nanking.

C. E. Causa, Esquire,

American Chargé d'Affaires, ad interim,
Peiping.

Sir:

I have the honor to refer to this office's confidential despatch No. L-575 of January 23, 1935, on the subject of Japanese policy vis-a-vis China and mentioning that Mr. Y. Suma, First Secretary of the Japanese Legation resident in Nanking, had called on General Chiang Kai-shek on January 21 and on General Huang Fu on January 22 concerning current Sino-Japanese issues.

A foreign newspaper correspondent stationed in Nanking called at this office on the afternoon of January 23 to describe two interviews he had had with Mr. Suma following the latter's conversations with high leaders of the Chinese Government, the substance of Mr. Suma's remarks being as follows:

Mr. Suma stated that he had talked with Dr. Wang Ching-wei as well as with General Chiang Kai-shek, General Huang Fu and other leaders, and that the conversations with the first three had each lasted from two to four hours. Mr. Suma did not repeat what he had said to the individual officials named, but he made to the newspaper correspondent a careful and lengthy statement,

which

-2-

which appeared to have been premeditated and was apparently designed to convey the general tenor of his official discourses.

Mr. Suma said that it was true that various "minor questions" such as the establishment of through traffic between Peiping and Mukden, the resumption of postal relations, and the arrangement for custom houses along the Great Wall had been settled by negotiation, but the fundamental issues between China and Japan which had brought about the Tangku Truce of May 1933 remained unchanged. By an involved process of reasoning Mr. Suma argued that the Tangku Truce was the result of the attitude of the Chinese toward Japan. That is, the truce had been sought by the Chinese as a means of satisfying the Japanese military sufficiently to make them willing to refrain from occupying North China, and the prior necessity for such occupation, as envisaged by the Japanese, had arisen because of the general Chinese attitude toward Japan. In other words the truce had failed to alter the Chinese attitude and the Chinese persisted in their attitude of resistance and antagonism toward Japan. The Acting Minister for Foreign Affairs, for example, "talked negotiation on the one hand" and advocated resistance on the other. (Parenthetically, it is of passing interest in this connection that Dr. Wang in his recently published work CHINA'S PROBLEMS AND THEIR SOLUTION does advocate resistance against the Japanese.)

What he, Mr. Suma, was now attempting to accomplish was to persuade the leaders of the Chinese Government to make up their minds, formulate a definite Chinese policy toward Japan and then to adhere to that policy. The

trouble

-3-

trouble was that China really had no policy. China should either embark upon a policy of cooperation with Japan, and announce it, or embark upon a policy of resisting the Japanese and say so. What China's ultimate destiny is, in respect to this question of the relationship between the two nations, Mr. Suma observed, should be obvious; and he said that both the Generalissimo and General Huang Fu realized that eventually China must cooperate with Japan. As for other leaders of the Government, such as the Ministers of Finance and of Industries, Mr. Suma said he had pointed out to them that embarrassments would probably arise if they did not accept what is China's destiny and cut their cloth accordingly.

In emphasizing these considerations Mr. Suma made it clear that in his opinion there could be no question but that China was destined to work with Japan and that if the Chinese Government did not adapt itself without undue delay to the workings of fate, it was very likely that circumstances would conspire to produce complications of a serious nature. He referred more than once to the possibility that failure to solve this fundamental issue would automatically occasion some regrettable "incident" between the two nations.

By way of comment on what precedes, I have the honor to recall that the Japanese Government has made no secret of its view of what should be the relationship of China to Japan. There is enclosed a copy of a press despatch bearing the date line Tokyo, May 23, 1934, in which occurs the following illuminating paragraph:

"Mr. Hirota is reported to have requested Mr. Ariyoshi to press Chinese leaders for their recognition of Japan's

Oriental

-4-

Oriental policy, which, the Foreign Minister said, is based on the mutual existence of Japan and China. Japan is willing to assist China toward her unification and prosperity, if China will understand Japan's responsibility for Oriental peace. Furthermore, Mr. Ariyoshi was requested to explain to Chinese leaders that Japan must oppose any action by any third country which may harm Japanese-Chinese relations."

Presumably this press despatch received the approval of the Japanese censor.

It has been impossible, as yet, to learn what sort of response Mr. Suma has received to the representations made by him to the Chinese leaders.

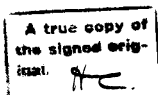
Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Enclosure:
1/ Copy of press despatch.

Original to the Legation.
Five copies to the Department under cover of despatch dated January 24, 1935.
Copy to the American Embassy in Tokyo under cover of despatch dated January 24, 1935.

GAjr:WRP:HO



THE NORTH CHINA DAILY NEWS,

May 24, 1934.

JAPAN READY TO AID CHINA

Mr. Ariyoshi Bring New Policy

PLANS TO ESTABLISH CLOSER RELATIONS

Tokyo, May 23.

Equipped with a new policy towards China, Mr. A. Ariyoshi, Japanese Minister to China, left Tokyo to-day for his post in Shanghai.

Mr. Ariyoshi held a final conference with Mr. K. Hirota, the Foreign Minister, yesterday afternoon, preparatory to meeting Mr. Huang Fu and other Chinese leaders upon his return to Shanghai, when he will renew efforts to solve outstanding questions between Japan and China.

Mr. Hirota is reported to have requested Mr. Ariyoshi to press Chinese leaders for their recognition of Japan's Oriental policy, which, the Foreign Minister said, is based on the mutual existence of Japan and China. Japan is willing to assist China toward her unification and prosperity, if China will understand Japan's responsibility for Oriental peace. Furthermore, Mr. Ariyoshi was requested to explain to Chinese leaders that Japan must oppose any action by any third country which may harm Japanese-Chinese relations.

Plans

-2-

Plans to establish closer political and economic relations between the two countries were laid at yesterday's conference.

The Chinese financial world at present is in the utmost stagnancy because of impoverishment of agricultural districts, and co-operation of China, Japan and Manchoukuo is the only way to help it, Mr. Hirota is said to have emphasized.

Mr. Ariyoshi will try to lower the anti-Japanese goods custom tariff of China, contending that Japanese goods will benefit Chinese consumers and are being welcomed by Chinese public.--United Press.

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 20, 1935.

~~MSM:~~

~~EHU:~~

~~SMH:~~

~~SPH:~~

Tientsin's despatch No. 698 of January 28, 1935, in regard to the Chahar incident and the Sino-Japanese situation.

No action required.

The despatch describes in considerable detail the recent Chahar incident. A brief summary of the outstanding events of the incident will be found on pages 1 and 2. I have marked on pages 7, 13, 14 and 15 certain paragraphs which I consider worth reading in their entirety as they relate to the general background subject of Japanese aggression in China.

ew
EW/VDM

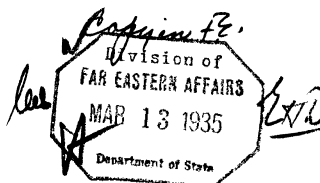
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Quastgen NARS, Date 12-18-75

No. D-698

AMERICAN CONSULATE GENERAL,

Tientsin, China, January 28, 1935.

793.94



Subject: The Chahar Incident and the
Sino-Japanese Situation.

RECEIVED
DEPARTMENT OF STATE
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COMMUNICATIONS
AND RECORDS

For Distribution-Check		Yes	No
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R.S. Ward		ONI	MID

The Honorable

The Secretary of State,
Washington.

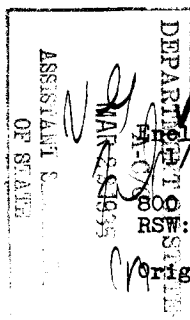
COPIES SENT TO
O.N.I. AND M.I.D.

Sir:

- 1/ I have the honor to transmit herewith a copy
of my despatch No. L-864 of today's date, addressed
to the Legation, on the above subject.

Respectfully yours,

F. P. Lockhart
F. P. Lockhart,
American Consul General.



Enclosure:

To Legation, No. L-864 of January 28, 1935.

RSW:JB

Original and four copies to Department.

793.94/6910

F/FG.
FILED
MAR 25 1935

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. L-864

Enclosure No. 1 in Despatch
No. 8-698, Dated January 28, 1935
From the American Consulate General
at Tientsin, China.

AMERICAN CONSULATE GENERAL,

Tientsin, China, January 28, 1935.

Subject: The Chahar Incident and the
Sino-Japanese Situation.

C. E. Gauss, Esquire,
American Charge d'Affaires ad interim,
Peiping.

Sir:

I have the honor to report, as a matter of record, the following information on the recent Sino-Japanese clash in Chahar, a diplomatic settlement of which, it is alleged, is now under negotiation.

1. Summary. On January 18, at eight o'clock in the evening, the Jehol Headquarters of the Kwantung Army issued an ultimatum to the troops of Sung Che-yuan in Eastern Chahar outside the wall, demanding their immediate withdrawal on penalty of expulsion by force of arms. The receipt of this ultimatum was followed by conferences in Peiping and Kalgan by the Chinese and Japanese military authorities,

- 2 -

authorities, and statements then issued indicated that a peaceful solution was possible, if not probable. However, on January 22 at 6:00 p.m., Japanese infantry, artillery, and airplanes began an advance into the disputed area. The advance was halted at 10:30 p.m. on January 23, the Japanese being in possession of a large part of the area in controversy. Informal conferences, which had been in progress before and during the incident, continued, and it is expected that the Jehol-Chahar boundary dispute and the responsibility for the military movement will be settled by these negotiations. The incident, slight in itself, was the climax of a situation built up through the last year and a half, and whether it will have any effect on the political situation in North China or on Sino-Japanese relations as a whole remains to be seen.

2. Background of the dispute. The area in dispute is that which lies between the Jehol-Chahar established provincial boundary and the upward curve of the Great Wall to the west of the boundary. The area in dispute varies in size on various maps. At Tushihk'ou the wall forms an elbow, turning from its northward curve to a southwest one. Kuyuan lies about 80 li north of Tushihk'ou between that city and Dolonor. It is probable that nearly all, if not all, maps published previous to the capture of Jehol, also showed Dolonor as within the Province of Chahar.

The

- 3 -

The Japanese contention that the Great Wall should be the boundary between Jehol and Chahar is believed to have been first made following the attempt of Marshal Feng Yu-hsiang (馮玉祥) to organize Chinese resistance to the T'angku Truce, signed on May 31, 1933, by organizing, in June, 1933, the so-called "People's Allied Anti-Japanese Campaign", with headquarters at Kalgan. It will be recalled that Marshal Feng rapidly gathered around himself the discontented elements in North China politics, and after recruiting a motley army, commenced on July 12, 1933, a march on Dolonor, then under "Manchukuo" military occupation. An army supposed to number 10,000 troops, under Feng's subordinate, the ill-fated General Chi Hung-ch'ang, actually entered Dolonor on July 14, the "Manchukuo" garrison having quietly withdrawn. It is pertinent to note here that Japanese propaganda organs and sections of both the Japanese and Chinese press alleged that Feng had received Soviet money and arms for the attack and a Soviet reward for the capture itself. These accounts received some color of truth from the fact that Dolonor is on one of the old camel routes to Urga, while Kalgan is the Chinese terminal of the other. Whatever bearing these facts may have on the events themselves, Feng's troops were withdrawn before the end of the month, and in August "Manchukuo" and Japanese troops re-entered it. Japanese military authorities explained that this

re-occupation

- 4 -

re-occupation was necessary to relieve the undefended city of the danger of bandits and communists, and that it was necessary to the security of Jehol that the city be held for "Manchukuo". Feng left Chahar on August 7, 1933, and Japanese possession of Dolonor has been undisputed since that time.

During the period of military rebellions that gripped the North in the late autumn and winter of 1933, when General Sun Tien-ying (孫殿英) was leading his revolting troops from Paot'ou in Suiyuan to Ninghsia, and Liu Kuei-t'ang (劉桂堂) was executing his December junket across the province of Hopei, Japanese troops were reported to have invaded the Province of Chahar. On January 3, 1934, Japanese planes dropped bombs on the city of Ch'ih-ch'eng and thereafter flew over peiping. It was supposed that this demonstration was motivated by the concern which the Japanese were said to feel over the presence in Ch'ihch'eng of 1,000 troops of Sung Che-yuan's (宋哲元) 29th Army.

In March the Chinese press in Tientsin reported the establishment of the headquarters of the Japanese 7th Division at Dolonor and the despatch from there to Kuyuan of 30 armored cars bearing over 500 Japanese troops.

On October 25 Japanese airplanes flying over Ch'ihch'eng dropped handbills on that city containing "a warning to the Chinese military and the people west of the Great Wall" issued in the name of the
commander

- 5 -

commander of the Japanese troops in Jehol, and stating unequivocally that the area east of the Great Wall and including the wall itself was in the territory of "Manchukuo", a fact which the statement alleged was "known to all the world". Complaint was made that Chinese scouts were being sent along the wall and that "rascals" were intruding "Manchukuo" territory east of Tushihk'ou. The handbill closed with the admonition that if this warning was not heeded, the Japanese Army would despatch troops, and that if an incident resulted the blame for it should lie with the Chinese.

In an interview which he gave to the press in Peiping on November 9, 1934, the Japanese Minister to China, Mr. Ariyoshi, is quoted as having said, in connection with the Chahar problem, that its solution presented difficulties. He took occasion to deny, however, that Chahar was considered by Japan to be within the "Manchukuo" sphere of influence, and he stated that there could not be any question of "Manchukuo" extending its borders into Chahar.

A Reuter despatch from Peiping dated November 20 reported the current rumor that there had been a clash between Chinese and Japanese troops at Kuyuan in Chahar. Japanese official circles were represented as having denied the rumor of the clash and the reported Japanese ultimatum which was said to have preceded it. These rumors they attributed,

the

- 6 -

the account stated, to the action of "Manchukuo" authorities in requesting the withdrawal of Chinese ^{points} troops to/behind the Great Wall, considered to be the border between Jehol and Chahar, although no "Manchukuo" troops had been despatched beyond the old administrative border.

^{the}
In connection with/background of the Chahar dispute, it may also be not altogether inappropriate to recall the meeting of Japanese military officers in Shanghai on November 17 and 18. The spokesman of this group of representative Japanese military officers in China assured the world that the attitude of the Japanese army had not changed. He is quoted as having said, in part, "The report that only part of the Army is insisting on the strong attitude is ridiculous. Those who spread the report do not know the organization of the Japanese Army, which is under perfect control".

On January 4 and 5 the Vice-Chief of Staff of the Kwantung Army, Major General Itagaki, is stated to have headed a conference at Dairen attended by the leading members of the Japanese military on service in China, at which it was decided to demand a complete fulfillment of the stipulations of the T'angku Truce. On January 8 Lieutenant Colonel Kagesa, who had been present at this conference, and who had in the meantime returned to his post in Shanghai as Military Attache of the Japanese Legation assigned there,

- 7 -

there, issued a statement to the press condemning the insincerity of Japanese diplomacy.

It must also be noted here that statements made by responsible Chinese officials to members of the staff of this Consulate General, and reports of meetings between various high Chinese and Japanese officials published in the press, indicate clearly that informal Sino-Japanese negotiations on a wide range of political and economic subjects have been and are in constant progress.

Whether the Chahar incident has a relation to the whole background of Japanese aggression in China, or whether it is an isolated incident and involves only the pushing of Chinese troops back to the Great Wall along a segment of the Chahar border to settle a boundary dispute, is not yet clear.

3. Detailed account of Chahar incident.

A Rengo despatch released on January 18 in Hsinking reported the issuance of a statement at eight o'clock on the same evening from the headquarters of the Kwantung Army at Ch'engteh in Jehol to the effect that that Army might be compelled to clear Fengning Hsien in western Jehol of Chinese troops, and that it might be necessary to employ for that purpose the main force of the Jehol Garrison and some airplanes. The statement was also said to allege that a large force of General Sung Che-yuan's troops had during the past year advanced into the Tachuehchen district,

- 8 -

district, and that infantry under his command had advanced even farther. Before the entrance of Sung's troops the territory had been under the "Kingly Way" of "Manchukuo", and their presence there made the execution of "Manchukuo" administrative measures impossible. Therefore, the statement continued, the Kwantung Army had repeatedly demanded the withdrawal of the troops in question, but the Chinese had failed to fulfill their promises to effect that withdrawal. On or about January 12 Chinese cavalry troops and a trench mortar corps arrived in Changliang (the principal village in the region in dispute) and on January 15 these troops advanced to Wuni. There they attacked, the manifesto alleges, a self-defense body comprising 40 Japanese, forcibly escorting them to the (then) Chahar-Jehol border. In view of this situation, the statement concluded, the Kwantung Army is compelled to start operations against Sung's troops to restore "Manchukuo's" administration in that area in accordance with the spirit of the Joint Defense Clause in the Japan-"Manchukuo" Protocol. Those operations would cease when their object had been attained, and the troops would not cross the Great Wall.

The English language press of Tientsin and Peiping on January 19 carried accounts of the reported ultimatum and of its presentation through the Japanese military representative at Kalgan to General Sung Che-yuan, publishing side by side with them

Sung's

- 9 -

Sung's statement to the Chinese pressmen that he had heard nothing of the alleged threat of military action, and the interview given to the press by Hsiao Chen-ying (蕭振瀛), a member of the Branch Military Council, on his return on the evening of January 17 from a tour of east Chahar accompanied by Liu Shih-min (劉果)*, Divisional Commander of the 29th Army, in which Hsiao affirmed that he had seen no indications of impending military action. A spokesman of the Peiping Branch Military Council denied the presence of a single Chinese soldier on the Great Wall, let alone in the Province of Jehol. General Sung was said to have explained that on the previous Wednesday his soldiers had pursued a group of bandits into the territory claimed by the Japanese, but that the pursuit was abandoned without entering the disputed zone. It was surmised that this was the origin of the Japanese charge of renewed incursions into the zone by Chinese soldiers.

A Central News despatch of the 19th published on the 20th quoted a spokesman of the Chahar Provincial Government as saying that the Japanese moves were unexpected, and that the district alleged by the Japanese to be part of Fengning Hsien in Jehol in fact was and always had been a part of the Province of Chahar. He stated that the Japanese contention was absolutely incorrect and expressed regret that the Japanese should resort to force at a time when Sino-Japanese relations were gradually changing

* Liu Ju-ming (劉汝明)?

- 10 -

changing for the better. A Reuter despatch of the same day reported that authoritative Japanese sources deprecated statements that Japanese forces were preparing to attack Sung Che-yuan or the Province of Chahar. Meanwhile the Chinese press was obviously attempting to minimize the affair, and Lieutenant Colonel Takahashi was said to attach little importance to it. On the evening of January 21 General Ch'in reported by telegraph to General Sung Che-yuan that there were no Chinese troops in the disputed area, police functions there being discharged by 200 militiamen, and that the question of the boundary was to^{be} settled by negotiations.

However, a Rengo despatch with a Peiping date line of January 20, stated that Lieutenant Colonel Takahashi had that afternoon sent a warning to the Peiping Political Council regarding the presence of Sung's troops in Jehol. The same agency under the same date reported that after a conference in Nanking between Chiang K'ai-shek, Wang Ching-wei, and Huang Fu, the National Government had ordered General Sung to withdraw the troops in question.

On January 22 General Minami, the virtual dictator of "Manchukuo", assured press representatives that the Japanese Army would not be used to interfere in the internal affairs of North China - "We have no military designs there. We shall try to cope with all disturbing and unfriendly indications with diplomacy and economic development." - he is quoted

as

- 11 -

as having said.

The story broke on January 24. A United Press despatch from Peiping on the 23d stated that at 6:00 p.m. on January 22, 1,000 Japanese and 1,000 "Manchukuo" troops began an advance on Tushihk'ou. On January 23 at about 10:00 a.m. four Japanese airplanes dropped seven bombs over the area embracing Tushihk'ou, Tungchatzu (believed to be Great Wall "port" of Tushihk'ou, which is somewhat removed from the Wall itself), and Kuyuan. At 11:00 a.m. on the same day the artillery opened fire on Tushihk'ou, dropping 40 shells into it. "We will not stop at Tushihk'ou unless the resistance is discontinued", Lieutenant Colonel Takahashi is said to have stated.

Conflicting statements of the area of the land occupied and the number of casualties have been published, but it would appear probable that an area the size of a good-sized Hsien was taken, and that the Chinese dead numbered between 40 and 50. The Japanese casualties will probably never be accurately known.

Although the basic facts of the attack are now generally recognized, and Japanese authorities now admit the bombing, Lieutenant Colonel Takahashi is quoted as having denied that there was any bombing, and as having asserted that the Chinese must be held responsible for the affair, since they fired the first shot.

Having

- 12 -

Having, according to press reports, first captured Kuyuan and then moved south, the Japanese were on the evening of January 23 in complete possession of the disputed zone, and the advance was stopped at 7 p.m. that day. On the morning of January 24 two Japanese bombing planes are said to have flown over Tungchatzu and Tushihk'ou, dropping three bombs on the former and eight on the latter. Semi-official Chinese reports stated that the loss of life was heavy.

The Japanese version of the attack was succinct. On Tuesday, January 22, the Nagami regiment advanced from Hsiaochang westward. Northeast of Hsichatzu, at 1,570 metre hill, they encountered Chinese militiamen with machine guns. In the fighting which followed two Japanese were killed and six wounded. The Chinese militia were dispersed. On the following day airplanes were used but no trace of Chinese troops in the disputed area was found. No fighting was at the time of the statement expected, and a settlement of the affair was looked for through negotiations between General Sugihara, Japanese Commander in Jehol, and General Sung.

The forty Japanese alleged in the original Ch'engteh ultimatum to have been forcibly escorted to the then border came to the fore again in the Japanese Rengo despatch of January 24 stating that eighteen of them had been released by the Nagami Regiment as it passed through Ch'angliang. No

previous

- 13 -

previous statement of the fact that these soldiers were being held is believed to have appeared in the local English language press.

An ASIATIC despatch, published locally in the PEKING AND TIENSIN TIMES (English) of January 26 quoted Lieutenant Colonel Takahashi as having said that the unhappy incident in Eastern Chahar was the outcome of the independent movements of officers of lower rank without authority, and that it could be settled without difficulty. It would not, he said, affect Sino-Japanese relationship. It will be recalled that the Shanhaikuan incident of 1932 was attributed to the action of junior officers of the Japanese Army.

Formal representations to the Japanese were reported to have been made both from Peiping and Nanking. It is noteworthy that the Chinese Government has not protested this forcible seizure of part of Chahar, nor has any high-ranking Chinese official gone on record as denouncing it in the manner of former years.

Informal negotiations looking to a settlement were continued in Peiping, Lieutenant Colonel Takahashi and Colonel Matsui for the Japanese, and Yueh K'ai-hsien (岳開先) and Colonel Shu Shih-ch'in (朱式勤) of the Peiping Branch Military Council for the Chinese, being immediately charged with discussion of the place and time of a more or less formal conference. Meanwhile reinforcements

were

- 14 -

were said to have been sent to the Japanese positions in the disputed area, and from Nanking came word that no representative of the National Government would take part in the negotiations. It was expected that China would be represented by one member each of the Branch Military and Peiping Political Councils, and an officer of the 29th Army. Latest press reports indicate that the matter has already been settled in principle and that only a formal agreement and a place for meeting remain to be decided upon.

4. Impact of the incident on Sino-Japanese relations. It is clear that the present attitude of the Nanking Government is directed at disengaging this incident from general Sino-Japanese relations, both to avoid giving pretext for further encroachments and to escape being forced into a position wherein a conference for the delimitation of the common boundary would effectually lend Chinese recognition to "Manchukuo". Since from the Japanese viewpoint it is to their advantage to have such incursions recognized as local matters to be dealt with directly between the Japanese and the particular provincial authorities involved, it is probably safe to predict that a formal conference will be successful in its obvious task of ceding that part of Chahar which became a "disputed area" when the Japanese military coveted it to that same military who are now in possession of it. The "dispute" itself may therefore said to be as good as closed.

But

- 15 -

But it is the impression of certain well-informed local Chinese that the effects of the incident on the morale of Northern Chinese will not be so easily disposed of. Coming as closely as it does on the heels of the removal of the postal blockade, and contemporarily with renewed talk on the part of the Japanese of "Sino-Japanese cooperation", Chinese in this part of the country are believed to interpret it as a clear indication of the means by which that "cooperation" will be secured and sustained, and of the place China will hold in the now unavoidable "sisterhood" relationship into which it is the aim of Japan to force her through diplomatic negotiation, failing which more forceful measures will be employed.

Respectfully yours,

F. P. Lockhart,
American Consul General.

800
RSW:JB

Original and one copy to Legation.
In quintuplicate to Department under cover of
despatch No. D-698 of January 28, 1935.
Copy to Consulate General, Nanking.

A true copy of
the signed original.
JLB

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

No. D-898

AMERICAN CONSULATE GENERAL,

Tientsin, China, January 28, 1935.

Subject: The Chahar Incident and the
Sino-Japanese situation.

The Honorable
The Secretary of State,
Washington.

Sir:

1/ I have the honor to transmit herewith a copy
of my despatch No. L-864 of today's date, addressed
to the Legation, on the above subject.

Respectfully yours,

F. P. Lockhart,
American Consul General.

Enclosure:
1/, To Legation, No. L-864 of January 28, 1935.

800
RSW:JB

Original and four copies to Department.

A true copy of
the signed origi-
nal. *WJ*

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

No. L-884

Enclosure No. 1 in Despatch
No. 2698, Dated January 28, 1935
From the American Consulate General
at Tientsin, China.

AMERICAN CONSULATE GENERAL,

Tientsin, China, January 28, 1935.

Subject: The Chehar Incident and the
Sino-Japanese Situation.

C. E. Gauss, Esquire,
American Charge d'Affaires ad interim,
Peiping.

Sir:

I have the honor to report, as a matter of record, the following information on the recent Sino-Japanese clash in Chahar, a diplomatic settlement of which, it is alleged, is now under negotiation.

1. Summary. On January 18, at eight o'clock in the evening, the Jehol Headquarters of the Kwantung Army issued an ultimatum to the troops of Sung Cho-yuan in Eastern Chahar outside the wall, demanding their immediate withdrawal on penalty of expulsion by force of arms. The receipt of this ultimatum was followed by conferences in Peiping and Kalgan by the Chinese and Japanese military authorities,

- 2 -

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2. Background of the dispute. The area in dispute is that which lies between the Jehol-Chahar established provincial boundary and the upward curve of the Great Wall to the west of the boundary. The area in dispute varies in size on various maps. At Tushihk'ou the wall forms an elbow, turning from its northward curve to a southwest one. Kaiyuan lies about 80 li north of Tushihk'ou between that city and Dolonor. It is probable that nearly all, if not all, maps published previous to the capture of Jehol, also showed Dolonor as within the Province of Chahar.

The

- 3 -

The Japanese contention that the Great Wall should be the boundary between Jehol and Chahar is believed to have been first made following the attempt of Marshal Feng Yu-hsiang () to organize Chinese resistance to the T'angku Truce, signed on May 31, 1933, by organizing, in June, 1933, the so-called "People's Allied Anti-Japanese Campaign", with headquarters at Kalgan. It will be recalled that Marshal Feng rapidly gathered around himself the discontented elements in North China politics, and after recruiting a motley army, commenced on July 12, 1933, a march on Dolonor, then under "Manchukuo" military occupation. An army supposed to number 10,000 troops, under Feng's subordinate, the ill-fated General Chi Hsiang-ch'ang, actually entered Dolonor on July 14, the "Manchukuo" garrison having quietly withdrawn. It is pertinent to note here that Japanese propaganda organs and sections of both the Japanese and Chinese press alleged that Feng had received Soviet money and arms for the attack and a Soviet reward for the capture itself. These accounts received some color of truth from the fact that Dolonor is on one of the old camel routes to Urga, while Kalgan is the Chinese terminal of the other. Whatever bearing these facts may have on the events themselves, Feng's troops were withdrawn before the end of the month, and in August "Manchukuo" and Japanese troops re-entered it. Japanese military authorities explained that this
re-occupation

- 4 -

re-occupation was necessary to relieve the undefended city of the danger of bandits and communists, and that it was necessary to the security of Jehol that the city be held for "Manchukuo". Feng left Chahar on August 7, 1933, and Japanese possession of Dolonor has been undisputed since that time.

During the period of military rebellions that gripped the North in the late autumn and winter of 1933, when General Sun Tien-ying () was leading his revolting troops from Paot'ou in Suiyuan to Ninghsia, and Liu Kuei-t'ang () was executing his December junket across the province of Hopei, Japanese troops were reported to have invaded the Province of Chahar. On January 3, 1934, Japanese planes dropped bombs on the city of Ch'ih-ch'eng and thereafter flew over peiping. It was supposed that this demonstration was motivated by the concern which the Japanese were said to feel over the presence in Ch'ihch'eng of 1,000 troops of Sung Che-yuan's () 29th Army.

In March the Chinese press in Tientsin reported the establishment of the headquarters of the Japanese 7th Division at Dolonor and the despatch from there to Kuyuan of 30 armored cars bearing over 500 Japanese troops.

On October 25 Japanese airplanes flying over Ch'ihch'eng dropped handbills on that city containing "a warning to the Chinese military and the people west of the Great Wall" issued in the name of the
commander

- 5 -

commander of the Japanese troops in Jehol, and stating unequivocally that the area east of the Great Wall and including the wall itself was in the territory of "Manchukuo", a fact which the statement alleged was "known to all the world". Complaint was made that Chinese scouts were being sent along the wall and that "rascals" were intruding "Manchukuo" territory east of Tushihk'ou. The handbill closed with the admonition that if this warning was not heeded, the Japanese Army would despatch troops, and that if an incident resulted the blame for it should lie with the Chinese.

In an interview which he gave to the press in Peiping on November 9, 1934, the Japanese Minister to China, Mr. Ariyoshi, is quoted as having said, in connection with the Chahar problem, that its solution presented difficulties. He took occasion to deny, however, that Chahar was considered by Japan to be within the "Manchukuo" sphere of influence, and he stated that there could not be any question of "Manchukuo" extending its borders into Chahar.

A Reuter despatch from Peiping dated November 20 reported the current rumor that there had been a clash between Chinese and Japanese troops at Kuyuan in Chahar. Japanese official circles were represented as having denied the rumor of the clash and the reported Japanese ultimatum which was said to have preceded it. These rumors they attributed,

the

- 6 -

the account stated, to the action of "Manchukuo" authorities in requesting the withdrawal of Chinese troops ^{points} behind the Great Wall, considered to be the border between Jehol and Chahar, although no "Manchukuo" troops had been despatched beyond the old administrative border.

In connection with ^{this} background of the Chahar dispute, it may also be not altogether inappropriate to recall the meeting of Japanese military officers in Shanghai on November 17 and 18. The spokesman of this group of representative Japanese military officers in China assured the world that the attitude of the Japanese army had not changed. He is quoted as having said, in part, "The report that only part of the Army is insisting on the strong attitude is ridiculous. Those who spread the report do not know the organization of the Japanese Army, which is under perfect control".

On January 4 and 5 the Vice-Chief of Staff of the Kwantung Army, Major General Itagaki, is stated to have headed a conference at Dairen attended by the leading members of the Japanese military on service in China, at which it was decided to demand a complete fulfillment of the stipulations of the T'angku Truce. On January 8 Lieutenant Colonel Kagesa, who had been present at this conference, and who had in the meantime returned to his post in Shanghai as Military Attache of the Japanese Legation assigned there,

- 7 -

there, issued a statement to the press condemning the insincerity of Japanese diplomacy.

It must also be noted here that statements made by responsible Chinese officials to members of the staff of this Consulate General, and reports of meetings between various high Chinese and Japanese officials published in the press, indicate clearly that informal Sino-Japanese negotiations on a wide range of political and economic subjects have been and are in constant progress.

Whether the Chahar incident has a relation to the whole background of Japanese aggression in China, or whether it is an isolated incident and involves only the pushing of Chinese troops back to the Great Wall along a segment of the Chahar border to settle a boundary dispute, is not yet clear.

3. Detailed account of Chahar incident.

A Rengo despatch released on January 18 in Hsinking reported the issuance of a statement at eight o'clock on the same evening from the headquarters of the Kwantung Army at Ch'engteh in Jehol to the effect that that Army might be compelled to clear Fengning Hsien in western Jehol of Chinese troops, and that it might be necessary to employ for that purpose the main force of the Jehol Garrison and some airplanes. The statement was also said to allege that a large force of General Sung Che-yuan's troops had during the past year advanced into the Tachushshon district,

- 8 -

district, and that infantry under his command had advanced even farther. Before the entrance of Sung's troops the territory had been under the "Kingly Way" of "Manchukuo", and their presence there made the execution of "Manchukuo" administrative measures impossible. Therefore, the statement continued, the Kwantung Army had repeatedly demanded the withdrawal of the troops in question, but the Chinese had failed to fulfill their promises to effect that withdrawal. On or about January 12 Chinese cavalry troops and a trench mortar corps arrived in Changliang (the principal village in the region in dispute) and on January 15 these troops advanced to Wuni. There they attacked, the manifesto alleges, a self-defense body comprising 40 Japanese, forcibly escorting them to the (then) Chahar-Jehol border. In view of this situation, the statement concluded, the Kwantung Army is compelled to start operations against Sung's troops to restore "Manchukuo's" administration in that area in accordance with the spirit of the Joint Defense Clause in the Japan-"Manchukuo" Protocol. Those operations would cease when their object had been attained, and the troops would not cross the Great Wall.

The English language press of Tientsin and Peiping on January 19 carried accounts of the reported ultimatum and of its presentation through the Japanese military representative at Kalgan to General Sung Che-yuan, publishing side by side with them

Sung's

- 9 -

Sung's statement to the Chinese pressmen that he had heard nothing of the alleged threat of military action, and the interview given to the press by Hsiao Chen-ying (), a member of the Branch Military Council, on his return on the evening of January 17 from a tour of east Chahar accompanied by Liu Shih-min ()*, Divisional Commander of the 29th Army, in which Hsiao affirmed that he had seen no indications of impending military action. A spokesman of the Peiping Branch Military Council denied the presence of a single Chinese soldier on the Great Wall, let alone in the Province of Jehol. General Sung was said to have explained that on the previous Wednesday his soldiers had pursued a group of bandits into the territory claimed by the Japanese, but that the pursuit was abandoned without entering the disputed zone. It was surmised that this was the origin of the Japanese charge of renewed incursions into the zone by Chinese soldiers.

A Central News despatch of the 19th published on the 20th quoted a spokesman of the Chahar Provincial Government as saying that the Japanese moves were unexpected, and that the district alleged by the Japanese to be part of Fengning Hsien in Jehol in fact was and always had been a part of the Province of Chahar. He stated that the Japanese contention was absolutely incorrect and expressed regret that the Japanese should resort to force at a time when Sino-Japanese relations were gradually changing

* Liu Ju-ming () ?

- 10 -

changing for the better. A Reuter despatch of the same day reported that authoritative Japanese sources deprecated statements that Japanese forces were preparing to attack Sung Che-yuan or the Province of Chahar. Meanwhile the Chinese press was obviously attempting to minimize the affair, and Lieutenant Colonel Takahashi was said to attach little importance to it. On the evening of January 21 General Ch'in reported by telegraph to General Sung Che-yuan that there were no Chinese troops in the disputed area, police functions there being discharged by 200 militiamen, and that the question of the boundary was to^{be} settled by negotiations.

However, a Rengo despatch with a Peiping date line of January 20, stated that Lieutenant Colonel Takahashi had that afternoon sent a warning to the Peiping Political Council regarding the presence of Sung's troops in Jehol. The same agency under the same date reported that after a conference in Nanking between Chiang K'ai-shek, Wang Ching-wei, and Huang Fu, the National Government had ordered General Sung to withdraw the troops in question.

On January 22 General Minami, the virtual dictator of "Manchukuo", assured press representatives that the Japanese Army would not be used to interfere in the internal affairs of North China - "We have no military designs there. We shall try to cope with all disturbing and unfriendly indications with diplomacy and economic development." - he is quoted

as

- 11 -

as having said.

The story broke on January 24. A United Press despatch from Peiping on the 23d stated that at 6:00 p.m. on January 23, 1,000 Japanese and 1,000 "Manchukuo" troops began an advance on Tushihk'ou. On January 23 at about 10:00 a.m. four Japanese airplanes dropped seven bombs over the area embracing Tushihk'ou, Tungchatzu (believed to be Great Wall "port" of Tushihk'ou, which is somewhat removed from the Wall itself), and Kuyuen. At 11:00 a.m. on the same day the artillery opened fire on Tushihk'ou, dropping 40 shells into it. "We will not stop at Tushihk'ou unless the resistance is discontinued", Lieutenant Colonel Takahashi is said to have stated.

Conflicting statements of the area of the land occupied and the number of casualties have been published, but it would appear probable that an area the size of a good-sized Hsien was taken, and that the Chinese dead numbered between 40 and 50. The Japanese casualties will probably never be accurately known.

Although the basic facts of the attack are now generally recognized, and Japanese authorities now admit the bombing, Lieutenant Colonel Takahashi is quoted as having denied that there was any bombing, and as having asserted that the Chinese must be held responsible for the affair, since they fired the first shot.

Having

- 12 -

Having, according to press reports, first captured Kuyuan and then moved south, the Japanese were on the evening of January 23 in complete possession of the disputed zone, and the advance was stopped at 7 p.m. that day. On the morning of January 24 two Japanese bombing planes are said to have flown over Tungehatzu and Tushihk'ou, dropping three bombs on the former and eight on the latter. Semi-official Chinese reports stated that the loss of life was heavy.

The Japanese version of the attack was succinct. On Tuesday, January 22, the Nagami regiment advanced from Hsiacohang westward. Northeast of Hsichatzu, at 1,570 metre hill, they encountered Chinese militiamen with machine guns. In the fighting which followed two Japanese were killed and six wounded. The Chinese militia were dispersed. On the following day airplanes were used but no trace of Chinese troops in the disputed area was found. No fighting was at the time of the statement expected, and a settlement of the affair was looked for through negotiations between General Sugihara, Japanese Commander in Jehol, and General Sung.

The forty Japanese alleged in the original Ch'engteh ultimatum to have been forcibly escorted to the then border came to the fore again in the Japanese Rengo despatch of January 24 stating that eighteen of them had been released by the Nagami Regiment as it passed through Ch'angliang. No
previous

- 13 -

previous statement of the fact that these soldiers were being held is believed to have appeared in the local English language press.

An ASIATIC despatch, published locally in the PEKING AND TIENTSIN TIMES (English) of January 26 quoted Lieutenant Colonel Takahashi as having said that the unhappy incident in Eastern Chahar was the outcome of the independent movements of officers of lower rank without authority, and that it could be settled without difficulty. It would not, he said, affect Sino-Japanese relationship. It will be recalled that the Shanhaikuan incident of 1932 was attributed to the action of junior officers of the Japanese Army.

Formal representations to the Japanese were reported to have been made both from Peiping and Nanking. It is noteworthy that the Chinese Government has not protested this forcible seizure of part of Chahar, nor has any high-ranking Chinese official gone on record as denouncing it in the manner of former years.

Informal negotiations looking to a settlement were continued in Peiping, Lieutenant Colonel Takahashi and Colonel Matsui for the Japanese, and Yueh K'ai-hsien () and Colonel Shu Shih-ch'in () of the Peiping Branch Military Council for the Chinese, being immediately charged with discussion of the place and time of a more or less formal conference. Meanwhile reinforcements were

- 14 -

were said to have been sent to the Japanese positions in the disputed area, and from Nanking came word that no representative of the National Government would take part in the negotiations. It was expected that China would be represented by one member each of the Branch Military and Peiping Political Councils, and an officer of the 29th Army. Latest press reports indicate that the matter has already been settled in principle and that only a formal agreement and a place for meeting remain to be decided upon.

4. Impact of the incident on Sino-Japanese relations. It is clear that the present attitude of the Nanking Government is directed at disengaging this incident from general Sino-Japanese relations, both to avoid giving pretext for further encroachments and to escape being forced into a position wherein a conference for the delimitation of the common boundary would effectually lend Chinese recognition to "Manchukuo". Since from the Japanese viewpoint it is to their advantage to have such incursions recognized as local matters to be dealt with directly between the Japanese and the particular provincial authorities involved, it is probably safe to predict that a formal conference will be successful in its obvious task of ceding that part of Chahar which became a "disputed area" when the Japanese military coveted it to that same military who are now in possession of it. The "dispute" itself may therefore said to be as good as closed.

But

- 15 -

But it is the impression of certain well-informed local Chinese that the effects of the incident on the morale of Northern Chinese will not be so easily disposed of. Coming as closely as it does on the heels of the removal of the postal blockade, and contemporarily with renewed talk on the part of the Japanese of "Sino-Japanese cooperation", Chinese in this part of the country are believed to interpret it as a clear indication of the means by which that "cooperation" will be secured and sustained, and of the place China will hold in the now unavoidable "sisterhood" relationship into which it is the aim of Japan to force her through diplomatic negotiation, failing which more forceful measures will be employed.

Respectfully yours,

F. P. Lockhart,
American Consul General.

800
RSW:JB

Original and one copy to Legation.
In quintuplicate to Department under cover of
despatch No. D-698 of January 28, 1935.
Copy to Consulate General, Nanking.

A true copy of
the signed original.
JB

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



PM RECD

LEGATION OF THE
UNITED STATES OF AMERICA

Ranking Office,
January 29, 1935

Division of
FAR EASTERN AFFAIRS

MAR 13 1935

Department of State

793.94

CONFIDENTIAL

MAR 12 35

Subject: Sino-Japanese Relations; Discussion
by Mr. Y. Suma.

The Honorable

The Secretary of State,
Washington.

For Distribution-Check		Yes	No
Grade			<input checked="" type="checkbox"/>
For			<input checked="" type="checkbox"/>

Sir:

1/ I have the honor to enclose herewith a copy of my
confidential despatch to the American Legation at Peiping
No. L-586 Diplomatic, dated January 29, 1935, on the
subject indicated above.

Respectfully yours,

Willys H. Peck
Willys H. Peck,
Counselor of Legation.

F. 2-1935

FILED

Enclosure:

1/ As described.

Original and four copies to the Department.

WRP:HC

4

JM

F/FG.

793.94/6911

7F

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

L-586 Diplomatic

Nanking Office,
January 29, 1935.

CONFIDENTIAL

Subject: Sino-Japanese Relations; Discussion
by Mr. Y. Suma.

C. E. Gauss, Esquire,

American Charge d'Affaires, ad interim,

Peiping.

Sir:

I have the honor to state that Mr. Suma, Secretary of the Japanese Legation, recently intimated a desire to explain to me some aspects of Japanese policy toward China.

1/ There is enclosed herewith a memorandum of our conversation, which took place on January 29, 1935.

Perhaps the most interesting of Mr. Suma's assertions was that although the Japanese Government contemplates no change in its policy toward China, believing that increase of pressure might make the situation worse instead of better, he has observed a distinct change in the attitude of important Chinese leaders, constituting a greater willingness to attempt a solution of the problems which estrange Japan and China; it seems to be Mr. Suma's impression that these leaders are now prepared to accept the loss of Manchuria as irremediable and to promote friendly cooperation between China and Japan.

Mr. Suma showed great interest in reports that China is seeking an enormous loan from some foreign country and inquired whether I did not think that such a transaction would

-2-

would come within the rightful scope of the International Consortium.

As a detail of some interest, if not importance, it may be noted that Mr. Suma denied that the Japanese Minister for Foreign Affairs, Mr. Hirota, had ever had any idea of coming to China, whereas Dr. Wang Ching-wei, the Chinese Acting Minister for Foreign Affairs, informed me on January 28 (see my despatch of that date) that Mr. Hirota had discussed the project with the Chinese Minister in Tokyo.

Popular sentiment in China is such that any publicity given to the reported willingness of Chinese leaders to compromise with Japan would react unfavorably on their political fortunes. This explains why this despatch is marked "confidential".

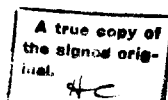
Respectfully yours,

Willys R. Peek,
Counselor of Legation.

Enclosure:
1/ Memorandum of conversation.

Original to the Legation.
Five copies to the Department.

WRP:HC



MEMORANDUM OF CONVERSATION

Nanking, China,
January 29, 1935.

Subject: Sino-Japanese Relations.

Mr. Y. Suma, Secretary of the Japanese Legation.

Mr. Peck.

On January 26, 1935, Mr. Suma called on Mr. Peck shortly before 1 p.m. and said that he would like an opportunity at a later date to talk with Mr. Peck in regard to Japanese policy toward China. It was in consequence of this offer that Mr. Peck called on Mr. Suma on January 29.

Mr. Suma said that he had shortly before returned from a trip which took him to Tokyo, through Manchuria and to Peiping. While in Tokyo he had talked the China policy over with Mr. Hirota, the Minister for Foreign Affairs, and with other Cabinet Ministers, military and civil, and thought he understood Japan's policy fairly well.

Mr. Suma said that three reports had recently been greatly exploited in the press, mainly emanating from Tokyo. They were (1) that the Foreign Minister intended to come to China, (2) that Japan had proposed some sort of an alliance with China, and (3) that beginning with a nearby date the policy of Japan toward China would undergo a radical change.

Mr. Suma thought that these reports originated in the disgust of the journalists at the long period of quietude in the development of Chinese-Japanese relations, following the Manchurian incident of 1931, and in their desire for

SOME

-2-

some "news" connected with this subject. He said that all these reports were pure imagination.

Since the reports had been circulated, however, he would say specifically that Minister for Foreign Affairs Hirota had never entertained the idea of coming to China. He said that the Japanese Government had not proposed to the Chinese Government anything in the way of an alliance. In regard to the reported intention of the Japanese Government to change its policy toward China, Mr. Suma said that he had talked this over with leaders in Tokyo and had found that their conclusion was that any policy of "bringing pressure to bear" on China for a solution of outstanding questions would only irritate China and give the anti-Japanese element further talking points. He was convinced that the Japanese Government intended to continue along the lines of its past policy and had no intention of making any change.

Mr. Peck inquired whether Mr. Suma could refer him to any document which would define or explain what the Japanese Government's policy toward China has been and is. Mr. Suma replied that it would be impossible to find any one such document; in order to understand what Japanese policy toward China is, it is necessary to take note of what the Japanese Government has done, the position it has taken, et cetera; in other words, to deduce its policy from past events.

Mr. Peck inquired whether the United Press telegram from Tokyo published on the first page of the news section of the NORTH CHINA DAILY NEWS of January 28, 1935, could be taken as an accurate description of Japan's immediate policy, and Mr. Suma said it could not.

Mr.

-3-

Mr. Suma said that from the Japanese standpoint two features of the relations between the two countries were of the most importance, that is (1) the continuation of anti-Japanese sentiment and activities in various parts of China, and (2) the continued refusal of the Chinese Government to settle outstanding questions between the two countries.

Mr. Suma said that anti-Japanese activities were continuous and methodical in various parts of the country, not only in Yunnan, as suggested by Mr. Peck, but also in Honan, Hupeh, Hunan, and elsewhere. He instanced that in Hankow school textbooks recently issued contained whole chapters designed to incite hostility against Japan. The Japanese Government felt strongly that these anti-Japanese activities should cease.

In considering the reasons which hitherto had caused the Chinese Government to refuse to settle outstanding questions, Mr. Suma said that he had met with an unwillingness on the part of Chinese leaders to accept facts. For example, he had said frankly to them that it was idle for them to indulge in the hope of recovering Manchuria, since Manchukuo is a fact. He asked them whether they had any hope of recovering Manchuria through force, to which they replied that they had no force. In that event, he said to them, they should cease from thinking about impossibilities. If they had any questions to settle with Manchukuo, they should knock at the door of Manchukuo and settle them with Manchukuo itself, which is an independent country.

But Mr. Suma was inclined to wonder whether China's refusal to settle outstanding questions did not arise from vague nationalistic feelings, a sentiment that the nation's reputation

-4-

reputation was involved.

Mr. Peek inquired whether it was possible that Chinese self-esteem had been offended by the Japanese demand that China cease from depending on the United States and Europe, if such a demand had been made as implied in the news article to which he had referred. Mr. Peek inquired what questions there were outstanding between Japan and China, aside from the question of Manchuria. He asked whether the Chinese resented the implied threat against North China, or whether they were thinking about inland waters navigation, or extraterritoriality, or matters of that sort.

Mr. Suma did not comment on the other matters, but he promptly said that it would appear that such questions as extraterritoriality were the last things the Chinese wished to talk about. He said they were never mentioned.

Turning from the subject immediately under discussion, Mr. Suma said that although the Japanese Government had no intention of altering its policy toward China, but intended rather to continue what had been its policy in the past, nevertheless, he had observed a distinct change in the attitude of various Chinese leaders, such as General Chiang Kai-shek, General Huang Fu, Dr. Wang Ching-wei, and others. He detected a change in what he might describe as the atmosphere, or background, of their position toward Japan. They seemed to feel a desire to clear up misunderstandings and come to friendly relations with Japan once more.

Mr. Peek asked whether this might be attributed to a desire on the part of General Chiang Kai-shek to get a loan from Japan. His forthcoming campaign against the Communist forces in West China would undoubtedly require large sums

of

-5-

of money and, perhaps, the Minister of Finance, Dr. H. H. Kung, found it hard to supply the wants of General Chiang Kai-shek.

Mr. Suma said that he did not know of any request of General Chiang Kai-shek for a loan from Japan; at any rate, Japan was in no position to make a large loan to anyone.

Mr. Suma said that he thought the Chinese were mainly concerned with finding some way to solve their currency and money difficulties. They seemed to be afraid that the continued draining of silver from China would result in depriving China of all its silver and in precipitating chaos. He said that Mr. Chen Kung-po, Minister of Industries, was one of the deepest thinkers on this subject, having been concerned with such problems in an official capacity in the old days in Peiping. He said that Mr. Chen Kung-po said there were only three ways to solve China's silver problem, i.e. (1) by issuing large quantities of fiat currency, that is, inflation; (2) by devaluation, that is, recoining China's silver in coins of lesser value; and (3) by making a large loan, to be used as a currency stabilization fund, or in some other way to bolster the market. But Mr. Chen seemed to think that all these expedients were impracticable and to have reached the apathetic stage, induced by a feeling that nothing could be done to ward off the catastrophe. Mr. Suma observed that many Chinese felt, erroneously, of course, that the silver-purchase policy of the United States was responsible for China's predicament. He said he had heard that the American Government had told the Chinese that silver is not money, but is a commodity, and that China's scarcity is caused by an unfavorable balance of trade.

Mr.

-6-

Mr. Peck said he had heard reports that China was sounding out the possibilities in various countries for a large loan, to be used to remedy China's money situation.

Mr. Suma replied that he had heard that the Hongkong and Shanghai Bank was negotiating with the Chinese for a loan of some two hundred million pounds, sterling, to be made in cooperation with the Chartered Bank (both British). But another report had interested him even more, although he could only describe it as gossip, to the effect that there were in Shanghai representatives of British business interests other than banking, who were discussing lending to China an even larger sum, three hundred million pounds, sterling, to be used in supplying China's currency needs, financing international trade, et cetera. He supposed this would apply particularly to trade between China and Great Britain.

Mr. Suma inquired whether Mr. Peck did not think that any such financial operation would come within the scope of the International Consortium Agreement. Mr. Peck recalled that one of the stipulations of the Consortium Agreement was that a loan in connection with which an issue of securities took place should be handled by the Consortium, and he did not know whether the plans under discussion in Shanghai would require such an issue of securities. In any event, he agreed with the contention of Mr. Suma that a loan of the amount and for the purposes indicated would have a decidedly international character.

Mr. Suma asked whether the Chinese had approached the United States for any large loan, to remedy the money situation. Mr. Peck said he had heard a rumor to that effect,

-7-

a rumor which he could only describe as "gossip", but he had had no information whatever from any official source.

Before it ended, the conversation turned again to the matter of Japanese policy toward China. Mr. Suma said he had told the Chinese leaders that China was not treating Japan fairly. Take, for example, the matter of foreign advisers. China was employing advisers of many other nationalities, but no Japanese. He said that Japanese military and naval men had often complained to him about the failure of the Chinese to include Japanese among their foreign military advisers. He said that, of course, anyone would admit that Japan had a special interest in China, being a neighbor, but all that Japan was demanding at the present time was to be treated on an equality with other nations.

WRP:HC

DECLASSIFIED: E.O. 11652, 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

Shankar
Mr. Phelly *12-24-75*

*I suggest that
you read the whole
of the Memo. of
Conversations between
Park & King.*

Shankar

DECLASSIFIED: E.O. 11652, 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 14, 1935.

ROM:

~~ADMT~~

~~SAH~~

Suggest reading in full.

Nanking's despatch of February 5, 1935, with which is enclosed a copy of its No. L-594 Diplomatic of even date to Legation, forwarding a copy of the memorandum of Mr. Peck's conversation with Dr. H. H. Kung, Minister of Finance, which memorandum was summarized in Nanking's telegram No. 21, February 2, 10 a.m. (attached).

On pages 5 and 6 of the memorandum, reference is made to Kishimoto's reinstatement as Chief Secretary of the Inspectorate General of Customs and to Dr. Kung's tentative plan for a large loan secured on the maritime customs revenues. These matters were not mentioned in the telegram.

MSM

MSM/VDM

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

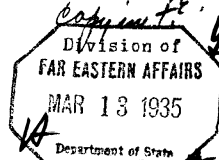


PM RECD

LEGATION OF THE
UNITED STATES OF AMERICA

Nanking Office,
February 5, 1935.

MAR 12 35



793.94

note

893.515

CONFIDENTIAL

Subject: China's Internal and Foreign Situation.

The Honorable

The Secretary of State,
Washington.

Sir:

1/

I have the honor to enclose herewith a copy of my
confidential despatch to the American Legation at Pei-
ping, No. L-594 Diplomatic, dated February 5, 1935, on
the subjected indicated above.

Respectfully yours,

Willys R. Peck

Willys R. Peck,
Counselor of Legation.

Enclosure:

1/ As stated.

Original and three copies to the Department.

HC

3

JM

1 copy for notes D.C.R.

FILED

AUG 3 - 1935

F/FG.

793.94/6912

1-594 Diplomatic

Nanking Office,
February 3, 1935.

CONFIDENTIAL

Subject: China's Internal and Foreign Situation.

C. E. Gauss, Esquire,
American Chargé d'Affaires, ad interim,
Peiping.

Sir:

793.94/6855

I have the honor to refer to my telegram of February 2, 10 a.m., in regard to statements made by Dr. H. H. Kung, Minister of Finance, during a call received from him on February 1, 1935.

1/

There is enclosed herewith a memorandum of the conversation which took place on that date.

It will be noted that the principal topics discussed by Dr. Kung were:

- (1) The grave situation of the Chinese Government and nation owing to the phenomenal export of silver and the connection therewith of the American silver-buying program (page 1);
- (2) Dr. Kung's hope that the American Government will accede to a proposal recently made by him (page 2);
- (3) Plans of the Japanese Government to dominate China and the Far East and "proposals" said to have been made to the Chinese Government in this connection (page 3);
- (4) Re-instatement of Mr. Kishimoto in the Inspectorate General of Customs (page 5);

(8)

-2-

- (5) Loan for the refunding of Chinese foreign obligations (page 6);
- (6) Present phase of Chinese-Japanese relations (page 7).

Respectfully yours,

Willys R. Peak,
Counselor of Legation.

Enclosure:

- 1/ Memorandum of conversation dated February 1, 1935.

Original to the Legation.
Four copies to the Department of State.
One copy to the Embassy at Tokyo.

WRP:MG

A true copy of
the signed orig-
inal. *AK*

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

MEMORANDUM OF CONVERSATION

Nanking, China,
February 1, 1935.

Subject: China's Internal and Foreign Situation.

Dr. H. H. Kung, Minister of Finance.

Mr. Peek.

Dr. Kung called on Mr. Peek, by appointment, at about 7 p.m. What follows is a synopsis, arranged by subjects, of the conversation which took place.

Dr. Kung said that the Chinese Government, and, indeed, the nation as a whole, are faced with a very grave situation. Currency and credit are tight, discouraging business and reducing the farming class to dire straits. He said that in the year 1934 China's recorded export of silver was Chinese dollars 260,000,000, practically all of which was sent out in the last four months of the year. This takes no account of the silver smuggled out of the country and unrecorded, and this must have been large in amount. The previous year of greatest export was 1907 and in that year barely one-tenth of the figure for 1934 was exported.

The scarcity of silver makes it difficult for the Government to borrow money from the Chinese banks, just as it makes it difficult to obtain money for the financing of trade and industries. The Government urgently needs additional funds at the present moment (1) to finance the military campaigns for the suppression of the Communist forces, which have fled from Central China to West China, and (2) to provide for the economic rehabilitation of the country under such urgent headings as the relief of sufferers from the famine of the past year and conservancy

work

-2-

work on the Yellow River. These various calamities have been occasioned by, or have been greatly aggravated by, the unprecedented outflow of silver and this drainage of China's economic life blood followed the increased value of silver due mainly to the silver-buying policy of the American Government. The Chinese Government signed the Silver Agreement at the desire of the American Government. The object of this Agreement was to stabilize the value of silver; the result has been, on the contrary, greatly to increase the value of silver, and cause speculation and unpredictable fluctuations, following which there have been hoarding and the various disastrous consequences already enumerated.

Dr. Kung said that in August, last, the Chinese Government pleaded with the American Government to modify its silver-buying program, so as to lessen the evil effects on China of the rising silver price; that the Chinese Government waited for about three months, hoping for a favorable reply from the American Government, but that on October 14, 1934, the reply came that the American Government could not accede to China's request; as a necessary consequence, the Chinese Government was obliged to impose, almost immediately, its equalization charge on the export of silver.

Dr. Kung said that he has lately made another proposal to the American Government, the principal feature of which, so Mr. Peck gathered, is a plan under which the American Government would buy silver from China. Dr. Kung did not explain the plan and Mr. Peck was unable to discover the idea on which it is based.

Dr. Kung asked, however, that Mr. Peck telegraph to the Department of State expressing his, Dr. Kung's, earnest

hope

-3-

hope that the American Government would be able to adopt his suggestion or would extend some sort of economic assistance to China, to relieve the Government and the country at large in their present grave situation.

Mr. Peck said he supposed that the Chinese Minister in Washington had been instructed to say these things to the Department of State and Dr. Kung said he had, but he thought it would be well if Mr. Peck also informed the American Government of the way matters stood.

Dr. Kung said he thought Mr. Peck would want to keep the Government in Washington informed of how things are going on and he would say that there is another aspect of the situation which is serious. He asked whether Mr. Peck had seen the news despatch circulated by the REUTER'S service that day, consisting of a statement made by General Minami, Japanese Ambassador to "Manchukuo", et cetera, regarding Japan's policy toward China. Mr. Peck said that he had seen it.

1/ (Note: A copy of this news despatch is attached; it will be observed that its most important feature is a proposal that Europe shall work for European peace, the United States for the peace of the American continents, while Orientals shall be left to safeguard the peace of the Orient, and that China abandon reliance on Europe and America in opposing Japan. W.R.P.)

Dr. Kung said that the obvious meaning of this statement was that Japan proposed to be left to dominate the Far East.

Mr. Peck interposed to say that since Dr. Kung had mentioned the Minami statement, he would like to refer to two other similar statements regarding Japanese policy toward China which had emanated from Japan within the last week and had been published in the papers, that is, a telegram

sent

-4-

2-3/ sent by the United Press from Tokyo and a despatch published by the OSAKA MAINICHI. (Note: Copies of each of these news despatches are attached hereto; their general purport is to propose an alliance between China and Japan, to cover cooperation in the political, military and economic fields. W.R.P.) Mr. Peck said these articles and various interviews which had recently taken place between prominent Japanese and Chinese officials had given rise to reports that some sort of momentous decision was being arrived at by the Chinese Government which would mean a change in its relations with Japan, possibly including the acceptance of financial support from Japan. Dr. Kung at this point interjected, "At their own price!". Mr. Peck said that if Dr. Kung felt at liberty to say, Mr. Peck would like to know whether these news despatches represented proposals which the Japanese Government was actually making to the Chinese Government.

Dr. Kung seemed to consider how much he could say in reply to this question and replied that it was hardly conceivable that statements of the sort referred to by Mr. Peck could have been published without the consent of the Japanese Government, or that the statement appearing under attribution to General Minami could have been published without his consent. Dr. Kung said that the Japanese were pressing the Chinese for an improvement in Chinese-Japanese relations and he would leave it to Mr. Peck to infer what the Japanese were pressing for, in the light of the news items in question. He added that the recent military activity of the Japanese in the Chahar region was not without its significance.

Dr. Kung said that the undoubted object of the Japanese was to acquire supremacy in the Far East, to eject the

Americans.

-5-

Americans, the British and other Europeans and, ultimately, to become the dominant nation in the world. This program could not be carried out without first acquiring control over China, its raw materials and its markets, and the way to frustrate the scheme was to extend some sort of assistance to China in its present grave situation, so that China might be able to exercise an independent decision in replying to proposals of the Japanese Government.

Dr. Kung said that what China most needed at the present time was financial assistance, which is why he desires so earnestly that the American Government shall return a favorable reply to the proposal he has laid before it. He said that if the American Government could see its way to extend this financial assistance the Chinese Government could give perfectly sound security.

As an instance of the ambitions of the Japanese, Dr. Kung referred to the insistence of the Japanese Government that Mr. Kishimoto be reappointed Chief Secretary of the Inspectorate General of Customs, in Shanghai. Dr. Kung said that Mr. Y. Suma had called on him a day or two before, and had plainly said that the Japanese Government looked forward to seeing Mr. Kishimoto Inspector General of Customs at a later date, a post to which Japan could lay claim, by virtue of Japanese superiority over Great Britain in volume of trade. Dr. Kung said he had answered that Mr. Kishimoto would be dealt with in accordance with his worth to the Government service, not on the basis of his nationality. He remarked to Mr. Suma that he, Dr. Kung, was partial to Americans, but that he would not advance an unworthy American simply because of his nationality; if he was not a good officer, he would get rid of him. (Incidentally, Dr. Kung explained

-6-

explained that Mr. Kishimoto had been re-instated in his post of Chief Secretary mainly because when Sir Frederick Maze, the Inspector General, suggested to Mr. Kishimoto that he take a vacation at the time of the Shanghai Incident in February, 1932, Sir Frederick had yielded to the insistence of the then Japanese Minister and had written a letter saying that later on, if the Chinese Government did not object and if other conditions should warrant, Mr. Kishimoto would be reinstated as Chief Secretary. (W.R.P.)

Dr. Kung said that he had been working on a plan whereby China could free itself from all of its difficulties, international and financial; the plan called for a foreign loan of 150,000,000 or 200,000,000 pounds, to be secured on the Maritime Customs revenue; it would be a refunding loan and would enable the Chinese Government to clear off all the obligations now secured on the Customs, which would then serve as security for the new loan; the Customs revenue would take care of the amortization of the refunding loan and still leave some thirty million dollars for the use of the Government; he recalled that by 1940 most of the obligations secured on the Customs would be liquidated and by 1948, all of them, including the Boxer Indemnity. Dr. Kung remarked that with American trade in the lead, as at present, the Inspector General of Customs could be an American. Dr. Kung did not dwell particularly on this plan, which he seemed to mention merely in passing.

The point which Dr. Kung elaborated, in guarded terms, it is true, but insistently, is that the Chinese Government as well as the economic structure of the nation are in a "grave situation" and that if assistance is not received from some foreign quarter, a catastrophe menaces the nation,

or.

-7-

or, as an alternative, China must become party to Japan's scheme of getting exclusive control of the Far East. He referred to various measures which he asserted Japan is taking to undermine the authority of the National Government, such as furnishing arms to the Kwangsi faction, furnishing arms to disaffected and ambitious ex-leaders, such as Shih Yu-san, et cetera, the object of which measures, he said, is to reduce the Government to a helpless condition, but at no stage of the conversation did he describe in plain words what "demands" or proposals the Japanese are pressing on the Chinese Government, except the demand that anti-Japanese propaganda be stopped. While Dr. Kung said that he had come to see Mr. Peek as the official resident in Nanking representing the American Government and he thought Mr. Peek ought to inform the American Government of the present situation, and although Mr. Peek said he would comply with Dr. Kung's desire that he send a telegram to the American Government and therefore asked for precise statements from Dr. Kung in regard to the Japanese activities, the latter made no such precise statements in regard to the Japanese phase of the question, but evidently preferred that Mr. Peek draw his inferences and present them to the Department as his own beliefs.

(Note: From the conversation with Dr. Kung and from conversations with other Chinese leaders during the last few days, in all of which there was exhibited unusual reticence in regard to the nature of the pressure, if any, which is now being brought to bear on the Chinese Government by representatives of the Japanese Government, Mr. Peek is driven to conclude either (1) that the Japanese representatives are not formally presenting any new "demands" to China at the present time, or else that (2) such demands have been

presented

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

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presented, are being considered favorably, and a strict injunction to secrecy has been imposed by the Government, or by General Chiang Kai-shek himself. W.R.P.)

Attached:

- 1/ Copy of REUTER NEWS SERVICES despatch dated Dairen, January 31, 1935.
- 2/ United Press despatch dated Tokyo, January 28.
- 3/ REUTER despatch quoting the OSAKA MAINICHI dated Tokyo, January 29.

WRP:HC

REUTER NEWS SERVICES

Dairen, January 31, 1935.

A world peace formula has been proposed by General Jiro Minami, Commander of the Kwantung Army and Ambassador to Manchoukuo.

General Minami proposes that Europe should restore European peace, America should work for American peace and the Oriental countries should cooperate to restore peace in the Orient. The respective peace agencies will then cooperate for world peace.

General Minami declares that Japan firmly believes that the establishment of Manchoukuo is the first step for peace in the Far East. He adds that Japan stakes her very existence against any factor liable to disturb Manchoukuo.

The basis for Sino-Japanese friendship, he declares, is, first, that China should suppress the communists and, secondly, that China should abandon the policy of opposing Japan by depending upon European and American countries and the League of Nations.

NORTH CHINA STAR, January 29, 1935.

REVISION OF POLICY TOWARD CHINA BEING PREPARED BY HIROTA

United Press

Tokyo, Jan. 28.--Revision of the Japanese policy towards China was being prepared today by Mr. Koki Hirota, Minister of Foreign Affairs.

The announcement stated that the Chinese Government is considering a change in its Japanese policy and that the new and revised policies of both countries will be formally adopted at the same time, as a measure of peace and harmony.

Meetings will be held between Mr. A. Ariyoshi, Japanese Minister to China, and Mr. Wang Ching-wei, Foreign Minister of China, in Shanghai soon to prepare the joint announcement.

NORTH CHINA STAR, January 31, 1935.

New Trend Of Policy Forecast

Reuter

Tokyo, Jan. 29.--The political correspondent of the Osaka Mainichi declares that the fundamental principles of the China policy of Mr. Koki Hirota, Foreign Minister, during 1935 are expected to be based on efforts to show China the necessity of throwing overboard her age-old traditional policy of befriending distant States and antagonising her neighbors.

The correspondent gives nine salient points which the Foreign Office is taking into account in the formation of Japan's policy regarding China.

Nine Salient Points

First, the maintenance of China's integrity.

Secondly, formal negotiations for restoring Sino-Japanese relations to normally.

Thirdly, Japan is prepared to extend political, economic, military and any other aid to any individuals or groups of sufficient calibre to assume full responsibility for a unified China.

Fourthly, Japan will gladly exchange ambassadors and will, without hesitation, enter into a Sino-Japanese pact similar to the Protocol signed between Manchukuo and Japan, providing that China realises the inter-dependence of China and Japan and recognises her position as an important cog in Far Eastern peace instead of leaning solely on Europe and America.

Fifthly.

-2-

Fifthly, concerning Far Eastern political questions, Japan would prefer to enter into a separate pact with China.

Sixthly, respecting military problems in the Far East, Japan desires China's pledge not to appeal to the League of Nations, and even her withdrawal from that body, as well as the replacement of European and American military advisers by Japanese.

Sino, Nippon, Manchukuo Bloc?

Seventhly, Japan considers the formation of a Sino-Japanese-Manchukuo bloc imperative, in which connexion she is prepared to accord China extensive financial aid.

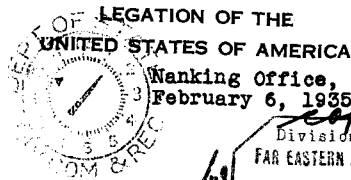
Eighthly, if China shows sufficient sincerity in connexion with all the above-mentioned points, Japan is prepared to make the North China truce pact a permanent treaty and to establish a permanent neutral zone between China and Manchukuo.

Ninthly, regarding the possibility of a bilateral Sino-Japanese treaty, Japan considers it appropriate that negotiations start six months after March 27, the date when Japan's withdrawal from the League becomes effective.

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



PM RECD



MAR 12 35

Subject: Published Denial by General Chiang Kai-shek that China will become a Protectorate of Japan.

The Honorable

The Secretary of State,
Washington.

For Distribution-Check		Yes	No
Grade	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
For	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

ONI MID

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

Sir:

1/ I have the honor to enclose herewith a copy of my despatch to the American Legation at Peiping, No. L-595 Diplomatic, of February 6, 1935, on the subject indicated above.

Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Enclosure:
1/ As stated.

Original and four copies to the Department.

HC

793.94/6913

FILED

MAR 20 1935

F/FG.

L-595 Diplomatic

Nanking Office,
February 6, 1935.

Subject: Published Denial by General Chiang Kai-shek that China will become a Protectorate of Japan.

C. M. Gauss, Esquire,

American Chargé d'Affaires, ad interim,

Peiping.

Sir:

I have the honor to refer to my telegram of January 25, 1935, 5 p.m., ⁶⁸³⁶ in which there were reported certain remarks said to have been made by General Chiang Kai-shek indicating that he had shown himself favorable to proposals made by the Japanese Government for cooperation between China and Japan.

That reports of his so-called "pro-Japanese" attitude have reached General Chiang seems evident from the fact, reported in the press, that he accorded an interview on February 2, 1935, to some of the Chinese newspaper representatives, to whom he denied that there was any possibility of China's becoming a protectorate of Japan. There
1-3/ are enclosed copies of three news despatches of interest in this connection, as published in the NORTH CHINA DAILY NEWS of February 3, 1935, the first being a REUTER despatch, dated Nanking, February 2, which reports the interview referred to above, the second being a RENGO despatch dated Tokyo, February 2, publishing a statement of the Japanese Foreign Office that General Chiang Kai-shek did not ask for Japanese aid when he talked recently with the

Japanese

-2-

Japanese Minister, and the third being a REUTER despatch dated Tokyo, February 2, relating to the Japanese "informal statement" of April 17, 1934, and in which the Japanese Minister for Foreign Affairs is quoted as stating that "China is gradually beginning to understand Japan's intentions" and that the future of Japan's diplomatic relations with China looked very hopeful, especially following the recent interviews between the Japanese Minister and Military Attaché and General Chiang Kai-shek.

Respectfully yours,

Willys R. Peek,
Counselor of Legation.

Enclosures:

- 1/ REUTER despatch dated Nanking, February 2.
- 2/ RENGO despatch dated Tokyo, February 2.
- 3/ REUTER despatch dated Tokyo, February 2.

Original to the Legation.
Five copies to the Department.
One copy to the Embassy at Tokyo.

WRP:HC

A true copy of
the signed original.
HC

Enclosure No. 1

NORTH CHINA DAILY NEWS, February 3, 1935.

NO PROTECTORATE FOR CHINA

Childish and Fantastic, Says Gen. Chiang

SUPERIORITY COMPLEX IN JAPAN

Nanking, Feb. 2.

The Chinese press this morning gave prominence to an interview with Gen. Chiang Kai-shek concerning his recent conversations with Mr. A. Ariyoshi, Japanese Minister to China, and Lieut-Gen. Suzuki, Military Attaché to the Japanese Legation in Shanghai. Gen. Chiang said that both Japanese officials courteously called on him in a private capacity, and explained that the speech of Mr. K. Hirota the Japanese Foreign Minister, in the Diet, expressed Japan's attitude regarding China. They also voiced a hope for the cessation of anti-Japanese activities in China.

Gen. Chiang answered questions concerning China's foreign policy by saying that the Chinese Government always had adhered to the principles of honesty, friendship, and peace in formulating its policy with any friendly nation, in order to increase co-operation and eliminate causes of enmity. The Chinese Government, at all times, had adopted an attitude of sincerity, hoping that other nations might obtain a thorough understanding of China's stand.

The Generalissimo said that Mr. Hirota's speech in the Diet was accepted in China as sincere in its intentions,

and

-2-

and was clearly understood by the Chinese public as well as officials.

Anti-Japanese Activities

The Chinese people, he continued, because of repeated irritations, had started anti-Japanese activities in certain limited circles. The Chinese Government, however, continuously had exercised reasonable restraint in such activities. At the present time, when uncertainty ruled in international relations, only an attitude of equality and sincerity would be able to remove misunderstandings.

Past anti-Japanese activities in China and the attitude of superiority towards China evinced by Japan both should be changed, in order to improve neighbourly relations. The Chinese people, under the guidance of frankness, reason, and justice, would control any temporary emotional reaction, thus proving the sincerity of the Chinese nation. "We hope that Japan will respond with equal sincerity," Gen. Chiang added.

"A Ridiculous Idea"

In conclusion, he referred to the possibility of Chinese becoming Japan's protectorate as "a conjecture too childish and fantastic. I confidently believe that any sensible person in China or Japan will not advance such a ridiculous idea."--Reuter.

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

Enclosure No. 2

NORTH CHINA DAILY NEWS, February 3, 1935.

Japanese Aid Not Asked

Tokyo, Feb. 2.

Gen. Chiang Kai-shek did not ask for Japanese aid to China in his interview with Mr. Ariyoshi on Wednesday, states a report by the Minister to the Foreign Office.--
Rengo.

Enclosure No. 3

NORTH CHINA DAILY NEWS, February 3, 1935.

"Amau Statement" Supported

Tokyo, Feb. 2.

Memories of the "Amau Statement" of last April, in which Japan warned the world that she alone was responsible for the maintenance of peace and order in the Orient were re-awakened in the Diet to-day, when Mr. K. Hirota, the Foreign Minister, declared that Japan was at present following "fundamentally" the same policy.

The statement was made in reply to a question by Mr. T. Toyoda (Minseito) who favoured the spirit of the "Amau Statement" and wanted to know the Government's policies towards China.

The declaration favoured by Mr. Toyoda was made unofficially by Mr. E. Amau, spokesman for the Foreign Office, and stated that Japan will oppose any concerted efforts by foreign nations to extend financial or military assistance to China.

Brighter Future

Mr. Hirota said to-day that the future of Japan's diplomatic relations with China looked very hopeful, especially following the recent interviews between Mr. A. Ariyoshi, Japanese Minister to China, and Lieut.-Gen. Y. Suzuki, Military Attache to the Legation, and Gen. Chiang Kai-shek.

"China is gradually beginning to understand Japan's intentions," said Mr. Hirota, in commenting on the "favourable tendencies" witnessed in China. The Government, he added, was continuing its efforts to make Japan's position in the Orient clear to the world.--Reuter.

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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, 1935.

S.H.D.
in file

To note a short
despatch from Nanking in
regard to Sino-Japanese
Relations. The enclosure
need not be read.

Lee Mu.

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



LEGATION OF THE
UNITED STATES OF AMERICA

Nanking Office
February 15, 1935

Division of
FAR EASTERN AFFAIRS

MAR 13 1935

Department of State

Subject: Sino-Japanese Relations

The Honorable

The Secretary of State,
Washington.

Sir:

For Distribution-Check		Yes	No
Grade	To Field		<input checked="" type="checkbox"/>
For	In U.S.A.		

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

There is so much speculation at the present time regarding proposals or demands which may have been presented recently by Japan to China that any light thrown on the subject is of interest.

1/ There is enclosed a copy of a press despatch dated Tokyo, February 12, which reports the Japanese Foreign Office as having announced on that date that "the Japanese Empire is planning to negotiate special agreements with China and the Soviet Union by which it hopes to convince the world that she desires continued peace in Asia".

An American newspaper representative stationed in Nanking has today informed me that he held a conversation with Mr. Y. Suma, Nanking representative of the Japanese Legation, on February 14 and that Mr. Suma informed him that he had recently held two conversations with the Chinese Military Attaché in Tokyo, who had been recalled to China by General Chiang Kai-shek, the latter's object being to ascertain from the Military Attaché precisely what proposals or demands the Japanese Government intends to present to the Chinese Government. The Military Attaché asked the same question of Mr. Suma. Mr. Suma said that

it

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

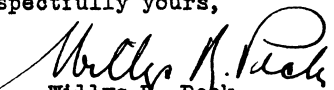
-2-

it is the inescapable destiny of Japan and China to travel the same road and that it was essential that the Chinese leaders recognize this fact as soon as possible.

Mr. Suma remarked to the American press representative that he had taken considerable pains to try to correct the misapprehension which he found widespread at the present moment, that is, that the Japanese Government had recently presented to the Chinese Government some definite "demands", like the so-called "Twenty-one Demands" of 1915. Mr. Suma said that if the Japanese Government were, in fact, presenting demands, they would not be limited to twenty-one in number, but would be over a thousand. My informant stated that while Mr. Suma was being jocular in this statement, he made it quite clear that what the Japanese Government is hoping and working for is a fundamental change of attitude and policy on the part of the Chinese Government toward Japan.

As intimated in several published statements of important Japanese officials in the last two weeks, the Japanese Government perceives much more willingness on the part of Chinese leaders to accept Japanese collaboration than they felt formerly. In fact, Mr. Suma told my informant in the conversation on February 14 that General Chiang Kai-shek is more friendly disposed toward this cooperative policy than before, but must proceed slowly until he can overcome "die-hard" opposition in the Nationalist Party.

Respectfully yours,


Willys H. Peak,
Counselor of Legation.

Enclosure:

1/ Press despatch dated Tokyo, February 12.

Original and four copies to the Department.
Copy to the Legation.

WRP:HC

NORTH CHINA DAILY NEWS,

February 13, 1935.

JAPANESE SEEKING SPECIAL PACTS

Plans to Negotiate with China and Russia

Definite Navy Accord Also Wanted

Tokyo, Feb. 12.

The Japanese Empire is planning to negotiate special agreements with China and the Soviet Union by which it hopes to convince the world that she desires continued peace in Asia.

This was announced by the Foreign Office today simultaneously with a statement that the Gaimusho is also anxious to reach a definite Naval agreement which will be satisfactory to all major sea powers.

Reports published in the United States that Japanese officials were planning to postpone negotiation of a naval agreement were vehemently denied.

Foreign Office attaches were emphatic in their announcements that Japan desires peace, that she wants and is very anxious to get a workable naval treaty signed by herself, Great Britain and the United States, and that she wants to improve to the greatest possible degree her relations with her nearest neighbors - China and the Soviet Union.

Washington Pact Still in Force

Japan definitely plans to work out details on which a new naval treaty may be based, although at the present time these are only in the formative stage, Foreign Office

spokesmen

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Tsingtao/83 FOR Desp.#13 to Legation

FROM Tsingtao (Sokobin) DATED Feb.6,1935.
//H//// NAME 1-1127 ...

REGARDING: Relations between China and Japan: Gives several
occurrences during the month, having a bearing on --.

fpg

793.94/6915
6915

B. Relations with Other Countries.

793.94
Japan. A possible source of controversy with the Japanese appeared in the request made by the Chinese Municipal Authorities to the Japanese Residents' Association of Tsingtao for payment of delinquent rentals due by Japanese leaseholders of municipal property. It appears that in the past rentals due from Japanese individuals have been paid through the Japanese Residents' Association under a tripartite arrangement which was of advantage to the Association which had made loans to individuals on buildings erected on land leased from the Municipality. Delinquencies in rental payments have grown to such an extent that the Chinese authorities feel that the Japanese Residents' Association in its corporate capacity should bear the responsibility.

JAPANESE DISSATISFACTION WITH SHANTUNG AGREEMENT OF 1922.

The dissatisfaction of Japanese residents with the Shantung agreement of 1922 was reflected in a public notice calling a meeting of Japanese to support their government's denunciation of the Washington Naval Treaty of 1922. This notice referred to "the extraordinary difficulties" with which the Japanese residents of Shantung have struggled since 1921.

It would appear that the Japanese here feel that the Shantung settlement of 1922 was as humiliating to them as the Chinese feel the Sino-Japanese Agreement

of.....

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

- 3 -

of 1918 was to the Chinese nation.

JAPANESE RESIDENTS' ASSOCIATION BUDGET.

The Japanese Residents' Association submitted in January its budget for the year 1935. This Association, apparently with corporate powers derived from the Japanese Government, consists of 2,700 voting members. Its revenue is derived principally from dues which are graduated into numerous classes; the dues range from 30 sen per month to 65 Yen for natural persons. The 1935 budget calls for revenue of approximately \$200,000, which is principally used for support of Japanese schools in Tsingtau.

DOCUMENT FILE

NOTE

SEE 840.00/420 FOR Despatch #85
FROM Czechoslovakia (Wright) DATED Feb. 8, 1935
TO NAME 1-1127 ...

793.94/ 6916
6916

REGARDING: Relations between China and Japan. Dr. Benes, the Czechoslovak Foreign Minister, touched upon what he considered to be the main points of Japan's present policy in the Far East.

he touched - in passing - upon what he considered to be the main points of Japan's present policy in the Far East: i.e., the encouragement of the formation of three zones in China, Northern, Central, and Southern - an arrangement which would fit in well with Japan's policy vis-à-vis Manchukuo - and her recent incursion into Chinese territory proper. This led to an interchange of our impressions regarding the geographic and strategic position and value of Mongolia and the relation of present Japanese policy to the developments concerning the Trans-Siberian, Chinese Eastern and South Manchurian Railways - over which, as the Department may recall, I emerged from Russia in 1918.

DECLASSIFIED: E.O. 11652, 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 PR-Tientsin/80 FOR for Despatch #D-699

FROM Tientsin (Lockhart) DATED January 31, 1935
TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations.

793.94/6917
6917

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II. Foreign Relations.

A. Relations with the United States.

Nothing to report.

B. Relations with other countries.

1. Japan.

a. Resumption of postal relations.(1)

The Chinese Government postal blockade of Manchuria, which was officially laid on July 23, 1932, as an answer to the action of the authorities of the "Manchukuo" Government in taking over the post offices in the three Eastern Provinces and Jehol, was raised on January 10, 1935, when postal relations between Manchuria and the rest of China were resumed. This resumption was effected only after prolonged but allegedly unofficial negotiations which started about September 15, 1934, in Peiping, and which were participated in by Mr. Fujiwara, Director of the Department of Postal Affairs of the Ministry of Communications of the "Manchukuo" Government, Colonel Giga, representative of the Kwantung Army, and Colonel Shibayama, the Military Attache of the Japanese Legation, for the Japanese; and Kao Tsung-wu (), Assistant Director of the Department of Asiatic Affairs of the Nanking Government, Yin T'ung (), Managing Director of the Pei-Ning Railway, Yin Ju-keng () and T'ao Shang-ming (), Administrative Inspectors of the Chi-Mi and Luan-Yu Areas, respectively

(1) See despatch No. L-855 (D-693), January 12, 1935.

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respectively, Yu Hsiang-lin (), Postal Commissioner of Shansi Province, and Li Tse-i (), member of the Peiping Political Readjustment Council, for the Chinese. The agreement was implemented by granting to a certain Hwang Tzu-ku (), until recently connected with the Chinese Postal Administration, a commercial concession permitting him to open, on a commission basis, mail transmission offices at Shanhaikuan and Kupeik'ou.⁽²⁾ These offices began handling regular mail, registered and express letters, on January 10. Parcel post and money order transactions were to be resumed on February 1.

b. Mail Transmission Office bombed.

On the evening of Thursday, January 17, a small bomb exploded in front of the newly opened Mail Transmission Office at Shanhaikuan. No one was hurt and slight damage was done.⁽³⁾ Eleven suspects were arrested. These are understood to have been released, however, upon the admission by a student arrested on January 24 in Ch'inhuangtao that he was responsible for the act. It was reported that he was to be transferred to Peiping at the close of the month.⁽⁴⁾

c. The end of a mission. Informed Chinese generally predicted that with the resumption of postal relations between Intra-Mural China and Manchuria,

(2) I SHIH PAO, January 7, 1935.

(3) PEKING AND TIENTSIN TIMES, January 19, 1935.

(4) TA KUNG PAO, January 29, 1935.

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Manchuria, the mission of General Huang Fu in North China would be done, and he would return to Nanking. When he arrived in Peiping on May 17, 1933, Japanese armies were literally at the gates of the city, and they were close enough to Tientsin to take it also whenever they chose. General Huang was commissioned to superintend the negotiations of an armistice so drawn up that it would save Huapei for China without implying Chinese recognition of "Manchukuo". He effected this in the T'angku Truce, signed on May 31, 1933. But as their price the Japanese demanded certain concessions, which taken as a whole more or less clearly implied the recognition by the Chinese of the existence in Manchuria of a semi-permanent alien regime which they could not within a period of years hope to overthrow. These concessions were for reasons of state granted, it is alleged, in secret provisions of the Truce. To avoid the internal disorders which would result from a full realization on the part of the Chinese people of the extent of the Chinese surrender, General Huang followed a policy of delay in giving effect to the secret articles. The Japanese were exasperated by the delay, and the Chinese by the concessions. General Chiang did not, however, disown him, and, according to current reports, when it became clear that his position was no longer tenable he was made Minister of the Interior.

d. The

- 6 -

d. The departure of Huang Fu.

Ostensibly to take over the duties of this new post, General Huang left Peiping on January 18 at five o'clock in the morning on a special train for Nanking. Chinese observers, alert for the nuance, noted the choice of so early an hour, and were not surprised that, of the many important Chinese and other officials present in Peiping, only Mayor Yuan Lieng, one of his subordinates, and Director Yu Chin-ho of the Bureau of Public Safety saw him off, or that when his train stopped at Tientsin two and a half hours later only General Li Tsun-hsiang, Director of the Tientsin Bureau of Safety and in charge of the cordon thrown around the station as a police precaution, was there to greet him. The coolness of this leave-taking is not to be explained on the basis of General Huang's statement that he will return again in several weeks - his return would not alter the fact that few of those who forebore to bid him Godspeed either believe or hope that he will ever come back to the Chairmanship of the Political Readjustment Council.

e. Rumored reorganization of the Peiping Political Readjustment Council. General Huang Fu's departure occasioned the revival of rumors that the Council of which he still retains the Chairmanship was to be reorganized. From Shanghai Li Tse-i, member of the Council and the Council's

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Council's representative on the Commission for the Settlement of Affairs Pertaining to the War Zone, issued an emphatic denial that any change was planned.⁽⁵⁾

f. Wang I-t'ang's aspirations. It nevertheless seems clear that at least one influential Chinese is sparing no effort to effect a change in the constitution of the Council - that person being Wang I-t'ang (), who seeks his own appointment as Chairman in Huang's place. Even before Huang's departure it was persistently reported that Wang was to succeed him. Against his appointment stands the almost united opposition of the Ying-Mei P'ai (), and many of the Ch'in Jih P'ai () are known to favor the retention of General Huang at least nominally as Chairman. It has been reported to this Consulate General by a local official that the Cheng Hsueh Hsi (), an influential clique of General Chiang K'ai-shek's subordinates, is sponsoring General Chang Chun (), the present Chairman of Hupeh Province, for the post.⁽⁶⁾ It would appear that the various political groups in Nanking are agreed only in their common assumption that some change in the Council is due.

g. T'ang Yu-jen to visit Peiping.

Rumors that changes were to be made in the organization and personnel of the Readjustment Council were linked

(5) YUNG PAO, January 24, 1935.

(6) See also despatch No. L-562 Diplomatic, January 10, 1935, from the Nanking Consulate General.

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linked with the report that T'ang Yu-jen (), Vice Minister for Foreign Affairs and the influential leader of the Chin Jih P'ai, was planning to revisit Peiping. A large vernacular daily reported that as soon as T'ang had had an opportunity to confer with a certain important official who had just returned from the North (General Huang Fu), he would himself come North, "to attend to some private business".⁽⁷⁾ The report that the Foreign Ministry was contemplating establishing a branch office at Peiping with T'ang acting concurrently as its chief was denied by that Ministry. Its spokesman also said that T'ang had no immediate plans for a trip to Peiping.⁽⁸⁾ It appears probable that he had intended to come North, but that the occurrence of the Chahar Incident caused him to postpone his trip.

h. The Chahar Incident.⁽⁹⁾ Hardly had General Huang Fu gotten out of Peiping, when a swift succession of circumstances jarred North China into a renewed realization of its complete helplessness before Japanese armies on the march. On several occasions since the signing of the T'angku Truce, it has become clear that the boundaries of the Jehol which is a part of "Manchukuo" lie somewhat to the westward of the fairly well-established boundaries of Jehol before its conquest. Japanese maps of "Manchukuo" still show the old boundary, but this only

(7) TA KUNG PAO, January 17, 1935.

(8) I SHIH PAO, January 23, 1935.

(9) See despatch No. L-864 (D-698), January 28, 1935.

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only proves that the cartographers cannot keep up with the army. The Jehol known to the Kwantung Army differs from the old Jehol in that it appears to include the important city of Dolonor (), about 260 kilometers due north of Peiping, and the so-called Hei Ho district of southeast Chahar. About 70 kilometers to the north and a little to the west of Peiping the Great Wall swings north, running for about 100 kilometers of its own length in a crooked north by northwest direction, whereafter it slopes again to the southwest. The old Jehol border parts company with the Wall shortly after the Wall turns north, and thereafter roughly parallels it at a distance of about 25 kilometers. The area between the Wall and the border of Jehol was called the Hei Ho district, after the northward flowing river which drains it. Out of this area the troops of Sung Che-yuan () were on January 18 peremptorily ordered to move, the ultimatum of the Kwantung Army at Ch'engtch containing the order stating that if they failed to withdraw immediately they would be expelled by force of arms. Conferences in Peiping and Kalgan left the Chinese under the impression that an amicable settlement was possible, but on January 22 at 6:00 p.m. Japanese infantry, artillery and airplanes began their advance, halting on January 23 at 10:30 p.m. when the occupation of the disputed area was completed. Local militiamen were unable to

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to put up any considerable resistance, and it is probable that there were no regular Chinese troops in the area when the attack was begun. On January 24 Japanese airplanes bombed Tungchatzu and Tushihk'ou, but there was no further advance by Japanese troops, and reports appearing in the press of January 31 stated that they had begun to withdraw.

i. Settlement to be effected locally.

The desire of the Central Government at Nanking to treat the incident as a purely local one in which the relations between the Governments of Japan and China were not properly involved made a quick settlement of the incident almost certain, since the Japanese have always claimed the right to seek local satisfaction in their dealings with the various provincial governments of China. No obstacle was encountered in the preliminary negotiations, and on January 31 it was reported that a conference was to be held at Tat'an, in the Hei Ho district, within the next few days. It was announced that the Japanese delegates would be General Tani, Commander of the 14th Japanese Division in Jehol, and Colonel Nagami, Commander of the 5th Regiment, also in Jehol.

j. The impact of the incident on Sino-Japanese relations. It would appear to be the consensus of informed Chinese opinion in Tientsin that the Chahar incident had some object beyond the expulsion of a few ill-equipped Chinese soldiers or militiamen from a comparatively small and poverty-stricken

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stricken area of eastern Chahar. A local Chinese official of considerable political astuteness asserts that in current negotiations being carried on both in Peiping and Nanking, the Japanese have of late become more and more insistent on the adoption of some formula which will make thoroughgoing Sino-Japanese cooperation an actuality. The official referred to states that they have repeatedly intimated that unless the Chinese are willing to give the Japanese within the next several months some real earnest of their desire to follow Japan's lead in Asia, the Japanese Army will be obliged to subject China to a severe drubbing. To Chinese suggestions that this procedure might precipitate another world war, the Japanese reply is said to be that in any case China will have been chastised before any third nation could reach the scene of the conflict, even supposing that one would desire to interfere. The Chahar incident was, according to this view, intended to give point to the Japanese arguments. Other views at variance with this theory may be found, especially among foreigners. It is held in some quarters that the incident rests on the desire of the Japanese ultimately to have the Wall in the affected area known as the western boundary of Jehol. Others believe the operation had its origin in the desire of the Japanese to extend the T'angku Truce line northward with the Wall as the boundary, on the west side of which,

within

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within a reasonable distance, no Chinese troops will be allowed. General Yu Hsueh-chung (), the Chairman of the Hopei Provincial Government, is credited with a succinct summary of the incident in a statement to the press on January 26 wherein he pointed out that it was the policy of the Japanese military to attempt to create minor disturbances in order to pave the way to intimidation, which process the Japanese call "closer cooperation". The vernacular press, with an eye to the "realities", recorded the interview but left out all reference to this remark.

k. Rumored change in Japanese policy.

The belief that Japanese pressure for more active Sino-Japanese cooperation will shortly be intensified has grown markedly within the last several weeks in North China. While the Chahar incident affords the most striking basis for such speculation, several other important circumstances have shown the road down for Chinese thought during the month under review.

1. Japanese military confer in Dairen.

One of these was the reported conference in Dairen from January 4 to 6 headed by Major General Seishiro Itagaki, Vice Chief of Staff of the Kwantung Army, and participated in by many of the leading Japanese military men on service in various parts of China. (10)
An exchange of views took place there on the means
by

(10) TA KUNG PAO, January 6, 1935.

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by which a hastened solution of all questions touching upon Japanese interests in North China was to be sought, and thereafter each officer reported upon the conditions prevailing in the part of China in which he was stationed. It was understood that considerable dissatisfaction with the slowness of the pace at which Japan's policies in Asia were being accepted in China was expressed.

m. Kagesa's statement. Lieutenant Colonel Sadaaki Kagesa, Military Attache of the Japanese Legation stationed in Shanghai, who had been present at the Dairen Conference, issued a statement after his return to Shanghai roundly condemning Chinese diplomacy.⁽¹¹⁾ He alleged that it was the policy of the Chinese to depute supposedly pro-Japanese Chinese to negotiate with the Japanese, but that even these Chinese were not sincere in their dealings with the Japanese. This statement hit home in North China, where it would appear that no Chinese is eligible for office who cannot first qualify as a Japanophile.

n. OSAKA MAINICHI article. What to the Chinese seemed a positive expression of the Japanese aims of which the Dairen conference was in part a negative adumbration appeared in the January 29 issue of the OSAKA MAINICHI in what was accepted here as an inspired statement of Japan's future

(11) PEKING AND TIENTSIN TIMES, January 9, 1935.

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future policy in China. The principal effort of Japanese diplomacy should be, according to this article, directed at divorcing China from her age-old policy of befriending distant states and antagonizing her neighbors. Of the now famous nine points of policy detailed in the article, the ones which apparently have most impressed local Chinese are the third, in which Japan offers all aid "to any individuals or groups in China of sufficient calibre to assume full responsibility for a unified China", and the ninth, wherein it is stated that Japan considers it appropriate that negotiations for a bilateral Sino-Japanese treaty should begin within six months after Japan's withdrawal from the League of Nations becomes effective. In connection with this proposed treaty Chinese in official circles in Tientsin have on several occasions stated that Japan intends to seek China's assistance in event of war with any third party.

c. Boirnor incident. While the Chahar Incident was still engrossing the attention of foreign offices in Nanking and Tokyo, a second "Manchukuo" border incident which threatened much more serious involvements broke out at (Lake) Boirnor on January 24, when Outer Mongolian troops met a patrol of "Manchukuo" soldiers in the neighborhood of Haluhamiao, a little to the north of the lake. The Rengo despatch describing these events stated

that

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that the "Manchukuo" troops counter-attacked, and were successful in dispersing the Mongol outposts.⁽¹²⁾ The Japanese War Office was prompt to issue a statement that no Soviet soldiers were involved.⁽¹³⁾ The Soviet TASS news agency published a similar statement of the Soviet Government on January 27 in Moscow. The spokesman of the Japanese Foreign Office is quoted in the press of January 31 as having said that the Boirnor incident was one to be settled between the Governments of "Manchukuo" and Outer Mongolia, and that neither the Soviet Republic nor Japan would become involved in the issue.

p. Seizure of Ma K'uei.⁽¹⁴⁾ In the first days of January it became known that the Japanese Gendarmerie had on December 28, 1934, seized the person of Ma K'uei (), the son of General Ma Chan-shan (), hero of the Battle of Nonni River. He has been held since that time. Persistent reports, still unconfirmed, allege that the Gendarmerie, acting for the Japanese military, demanded a huge ransom for the youth, which was to be brought by the General personally to the Headquarters of the Gendarmerie in the Japanese Concession. Ma replied by publicly disowning his son, advertisements to that effect having been placed in all local English and vernacular papers. A Chinese states that in the places once frequented by the

missing

(12) PEKING AND TIENTSIN TIMES, January 26, 1935.

(13) NORTH CHINA STAR, January 27, 1935.

(14) See despatch No. L-858 (D-695), January 19, 1935.

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missing Ma K'uei he is believed to be dead.

q. Japanese troop maneuvers. On January 8 a review of the Tientsin contingent of Japanese troops was held in the Japanese Concession. (15)
A sham battle was enacted there on the 25th, and on the 27th 120 Japanese troops began a three day maneuver southeast of Tientsin on the Tientsin-Pukow Line. (16)

r. Ch'inhuangtao Custom's case
subject of protest. The Foreign Ministry of the National Government was reported early in the month to have protested to the Japanese authorities against the action of a Japanese steamer in firing on Customs officials at Ch'inhuangtao last month. (17)

s. Japanese Consulate to be set up
at Shanhaikuan. Toward the end of the month the Japanese Consulate General is reported to have received permission from Tokyo to establish a Consulate at Shanhaikuan. (18)

DECLASSIFIED: E.O. 11652, 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 PR/90 FOR despatch #3359
FROM China (Gauss) DATED Feb. 14, 1935
TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations.

793.94/6918
8918

- 1 -

II. Foreign Relations

A. Relations with the United States

Nothing to report.

B. Relations with other countries

1. Japan

a. Japanese pressure on the central authorities

793.94
(981-8)

A new chapter in Sino-Japanese relations seemed to open in January, the previous chapter having been brought to a close with the announcement at the end of December that agreement had been reached for the establishment of ordinary mail service between China and "Manchukuo" from January 10 and of parcel post and money order services from February 1. The Japanese, having thus succeeded in bringing into effect the principal secret understandings reached at the time of the signing of the Tangku Truce of May 31, 1933, decided apparently that the time had now come to persuade China to accept a greater degree of "cooperation" with Japan or to prepare the way for such acceptance. The center of interest in Sino-Japanese relations, therefore, moved from North to Central China.

It seems indisputable that significant conversations looking toward such "cooperation" were entered into, although they were not necessarily confined to those officials who are normally concerned with the conduct of

foreign

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1. Legation's telegram No. 40, January 23, 1 p.m.;
and Nanking's telegram to Department No. 12, January
25, 5 p.m.

- 2 -

foreign relations. It is impossible, however, to describe at present the exact nature of any proposals which may have been made by the Japanese. According to reports from various Chinese sources, Japanese proposals included a non-aggression pact, a guarantee of Chinese integrity, the non-interference of third countries in China's internal affairs and in Sino-Japanese relations, a Sino-Japanese financial arrangement, the appointment of Japanese military and civilian advisers to the National Government, and the abolition of anti-Japanese activities. The proposals suggested in Chinese reports, however, were less comprehensive and less alarming than those intimated in reports emanating from Japan. Observers were inclined to believe that reports from Japan were intentionally exaggerated in order to test world opinion and in order to have the possible effect of rendering both Chinese and foreigners more complaisant with the ultimate outcome of the situation than they would otherwise be.

Acceleration to some degree - or promise of acceleration - by the Chinese officials concerned of their policy of gradual submission to Japanese desires would not be surprising. The present precarious financial situation, the depressed economic condition, the communist menace in the west, the recalcitrant Southwest, and the fact that no substantial assistance from

Western

- 3 -

Western nations can be expected make it impossible for the Chinese Government to adopt a resolute attitude in the face of Japanese pressure.

Although it may be doubtful that any important concessions have as yet been made by the Chinese side, unless perhaps orally, there is apparent a new Sino-Japanese orientation which, with the passage of time, may very likely develop into a closer relationship between the two countries. This orientation was definitely indicated in the statement of General Chiang Kai-shek to a representative of the Central News Agency (reported in the Chinese press of February 4) to the effect that China's past anti-Japanese feeling should be rectified for the purpose of strengthening Sino-Japanese friendship and that the Chinese should curb anti-Japanese movements in order to show their "righteousness". What shape this new orientation may eventually take, it is too early to predict, other than that Japanese influence in China may be expected to increase and that of Western nations to lessen, together with further Japanese violation of China's territorial and administrative integrity. It seems probable, however, that the effects of this orientation may first become apparent in North China, the area in which it is believed that the Japanese are primarily anxious to extend their substantial control. Meanwhile, the Chinese probably hope that events will

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2. Legation's telegram No. 60, of February 3, 3 p.m.

- 4 -

so develop that they may be able to bring to an end such "cooperation".

b. The departure of General Huang Fu⁵

Appointed on December 7 Minister of the Interior, concurrently with his post of Chairman of the Peiping Political Affairs Readjustment Committee, General Huang Fu delayed leaving Peiping for investiture at Nanking until January 18. The reason for his delay was understood to have been his disinclination to face his political enemies at Nanking without the supporting presence of General Chiang Kai-shek. (General Chiang arrived at Nanking on January 18).

General Huang Fu's departure augmented political uneasiness in North China because of doubt whether he would return and of uncertainty what his non-return would portend. It was said that the Japanese military regarded his mission in North China as having ended as he came to North China to negotiate the Tangku Truce, the provisions of which have now been largely carried out. Although in the opinion of some observers he was given the post of Minister of Interior in order to enhance his prestige as chief negotiator in North China with the Japanese, yet there is also the contrary opinion that he was given the post as a means for graceful withdrawal from the North China scene. There were

END OF

5. Legation's despatch 3285 of January 18.

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rumors that the Peiping Political Affairs Readjustment Council would be abolished and that General Ho Ying-ch'in, Minister of War and Chairman of the Peiping Branch Military Council, would not remain long in North China, although he returned from Central China to Peiping only on January 17 after an absence of more than three months. Again there was the report that the direction of affairs in North China would be put in the hands of a Chinese through whom the Japanese could more readily effect penetration than they could through an official so directly responsible to Nanking as is General Huang Fu. Actually, however, the situation in North China showed little change during January, the only outstanding event being action in southeastern Chahar Province by the Japanese military.

c. Japanese action in southeastern Chahar Province⁴

There occurred on January 23 and 24 action by the Japanese military which definitely ended any Chinese control existing in that part of Chahar Province lying east of the stretch of Great Wall which runs from north to south in the southeastern corner of that Province. On the excuse that Chinese troops in that area had not withdrawn as they had been directed to do by the Chinese authorities at the insistence of the Japanese military and also on the excuse that Japanese troops had been attacked, the Japanese military took

action

4. Legation's telegram No. 24, January 24, 2 p.m.

- 6 -

action which resulted in considerable damage to two towns, one of which (Tuhsihk'ou) lies west of the Great Wall in undisputed Chinese territory. (According to some responsible Chinese authorities, however, there were no Chinese troops in the area in question when the Japanese began their action). The interest of the Japanese military in the area over which they thus obtained control appears to have been due to its strategic importance. They may also have intended to remind Chinese officials at Nanking of the strength of Japan as an adversary.

Following the military action, informal negotiations took place at Peiping and Kalgan and it was apparent that neither side wished to create a major incident out of the situation. The somewhat lenient attitude of the Japanese in this instance was interpreted as being for the purpose of not hindering the conversations on Sino-Japanese "cooperation" then in progress at Nanking. At the informal negotiations it was decided to hold a conference on February 2 at Tat'ian in western Jehol for a settlement of the affair, a settlement which would undoubtedly be what the Japanese wished it to be.

d. Japanese military conference at Dairen⁵

If one of the purposes of the Japanese military in their action in southeastern Chahar Province was to intimidate Chinese officials hesitating to "cooperate"

with

5. Legation's despatch 3279, January 18.

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with Japan, the same purpose appears to have played a part in a conference of a number of important Japanese military officers which was held on January 4 and 5 at Dairen. Both the character of the attending officers and the views which they expressed, as reported in the press, created uneasiness in China. The officers included, for example, Majors-General Doihara and Itagaki, both of whom are regarded as having been leaders in the plotting and carrying out of the seizure of Manchuria. The meeting was held, perhaps significantly, shortly after the arrival at the capital of "Manchukuo" of General Minami, the newly appointed Commander-in-Chief of the Kwantung Army and Ambassador to "Manchukuo", who is regarded as a more positive man than his predecessor. According to the press, these officers expressed strong dissatisfaction with the attitude of General Chiang Kai-shek and with the failure of the Chinese to carry out certain (minor) terms of the Tangku Truce. Whatever the real reason for the conference, it at least illustrated once more the lack of restraint on the part of Japanese army officers in their extra-military activities.

e. The status of Dolonor ⁶

Accurate information has been unobtainable until recently with regard to the status of Dolonor, a town in Chahar Province somewhat to the north of the area

recently

6. Legation's despatch 3352, February 12.

- 8 -

recently in dispute. A Japanese official, however, made the statement a few days ago that Dolonor is being administered by "Manchukuo", although the Chahar-Jehol border in that area has not yet been delimited according to the Japanese authorities. The extent of this administration was subsequently described by a well-known and reputable American who visited Dolonor during the latter part of January. This American found several Japanese acting in various capacities, one, an army major, being the ranking administrative authority and another being the chief of police. The informant stated that Japanese and "Manchukuo" flags were flying and that currency in circulation in Dolonor and its district was "Manchukuo", not Chinese. When he asked one of the Japanese whether Dolonor was still a part of China he was informed that it was neither Chinese nor "Manchukuo" but "a sort of special area", which "Manchukuo" was helping to achieve an efficient administration. The special status was indicated by the character of the two or three regiments of troops there, the soldiers wearing uniforms similar to the Chinese but having "Manchukuo" insignia on their caps.

C. Relations of a general international character

1. Dispute over "Manchukuo"-Outer Mongolia boundary

There occurred a dispute between Outer Mongolia

and

7. Legation's telegram 58, February 2, 2 p.m.

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and "Manchukuo" with regard to the boundary in the vicinity of Puirnor (a lake on the Mongolian-Heilung-kiang border). Only the Japanese version of the affair could be obtained, and, according to this, the trouble was due to the fact that the Khalkha River, which formerly flowed from the east into Puirnor, has altered its course and now flows to the north of that lake, entering the Urson River which connects Puirnor with Kulun Lake. The Mongols regard the new river course as the boundary, while the Japanese insist the old river bed is still the boundary. A small force of Outer Mongolians entered the territory in question early in January and the Japanese, regarding this as an invasion of "Manchukuo", despatched a small force to treat with them. Upon the Mongols refusing to retire, the Japanese ejected them by force on January 31.

The incident was regarded as probably of only local significance. However, similar incidents may be expected to occur in the future as, according to a Japanese official, there are a number of places along the boundary between Outer Mongolia and "Manchukuo" which have yet to be delimited.

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.Nanking/84 FOR Despatch # D-726 Consular

FROM Nanking (Peck) DATED Feb. 8, 1935
//~~14~~/// NAME 1-1127 ...

REGARDING: Rumors of a Japanese-Chinese accord: Reports
many rumors and reports in this connection.

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793.94/6919

6919

Rumors of a Sino-Japanese Accord

793.94
No definite commitments on the part of the Chinese with reference to the establishment of an accord with Japan have been brought to light, but judging from the constant stream of rumors and unconfirmed reports that have been circulated in Nanking during the past month, it seems probable that the Japanese have been pressing the National Government in an effort to obtain an agreement which if made would be another big step in Japan's march to hegemony in the Far East.

Popular opinion is that the Chinese leaders in Nanking are in a serious predicament. They are regarded as being faced, on the one hand, by Japan's demands for special rights and privileges, accompanied by assurances that if these demands are met Japan will lend its whole-hearted support to the Nanking Government, while if they are not, Japan will not hesitate to apply compulsion, as was exemplified by the recent activities of the Japanese military in Chahar. On the other hand, the authorities in Nanking

realize

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realize only too well that if they capitulate to Japan they will immediately be faced with the serious problem of dealing with their political adversaries, in whose hands Nanking would by its own acts have placed a most dangerous weapon.

During January, according to reports emanating from Tokyo, Japan decided to offer the National Government its assistance, financial, advisory and military, in return for China's recognition of Japan's special position in Asia.

The general form of the alliance at present contemplated, judging from news reports from Japan, envisages the turning of China from the Occident to close cooperation with Japan. China is to accept Japanese advisers, both military and civil, who will replace the League representatives and other European and American advisers at present engaged by China, and Japan will in a bilateral treaty guarantee the integrity of China and promise to maintain it by force of arms while China will in the same treaty, by implication at least, recognize the "Manchukuo" regime. In order to aid China in putting her house in order Japan will, after the conclusion of the treaty, be prepared to advance to China large sums of money which may be used, probably under Japanese supervision, to carry out the anti-Communist campaign and to further various reconstruction measures.

The visit of the Japanese Minister to China, Mr. A. Ariyoshi, and the Japanese Military Attaché, Lieutenant General Y. Suzuki, to Nanking toward the end of January, and their calls on General Chiang Kai-shek, President Wang Ching-wei of the Executive Yuan, and other important

officials

DECLASSIFIED: E.O. 11652, 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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officials in the National Government, were regarded as
indicating that negotiations were in progress.

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Gray & Special Gray

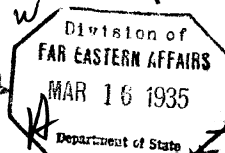
FROM

Peiping via N. R.

Dated March 16, 1935

Rec'd 8 a.m.

Secretary of State,
Washington.



119, March 16, 2 p.m.

Reference Legation's 84, February 21, noon, according to a Chinese News Agency an address by Sun Fo, President of the Legislative Yuan, on Sino-Japanese relations was broadcasted March 12, in Japan as part of Japanese commemoration of tenth anniversary of the death of his father Sun Yat Sen. During the address, which was more cordial and warmer than recent statements by Wang Ching Wei and Chiang Kai Shek, Sun Fo dwelt on the "enthusiastic assistance and sincere friendship" of Japanese for his father when he was alive, and the present sympathy of many Japanese for his principles; referred to the suffering caused by the encroachment during the past one hundred years of Europe and America and the realization during the past fifty years of Japanese and Chinese that this is a period of struggle of the yellow race for existence; and said that close neighbors like Japan and China should join

793.94/6920

MAR 19 1935

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

FS 2-No. 119, March 16, 2 p.m. from Peiping

join hands, mentioning the similarity of race, language, philosophy, et cetera. Commenting on the fact that the relations of the two countries have frequently been bad notwithstanding, their spiritual kinship he mentions the recent turn for the better in those relations and recommends for its fulfillment observation of Sun Yat Sen's policy of "Greater Asia".

The principal significance of Sun's address seems to be that, believing that relations between China and Japan will become increasingly closer, he thinks it is for the sake of his political future to align himself with the so-called pro-Japanese party.

HPD

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

March 9 1935

793.94

In reply refer to
FE

My dear Mr. Travis:

At the instance of the Honorable Walter Franklin George, Senator from Georgia, I enclose a copy of the text, as published in the NEW YORK HERALD TRIBUNE on April 19, 1934, of a statement issued to the press on April 17, 1934, by the spokesman of the Japanese Foreign Office.

As of possible interest, I also enclose a copy of the Department's press release of April 30, 1934, which contains the substance of a statement made by the American Ambassador to Japan to the Japanese Minister for Foreign Affairs.

Sincerely yours,

M. M. H.
Maxwell M. Hamilton,
Assistant Chief,
Division of Far Eastern Affairs.

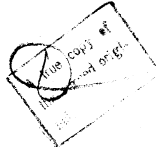
Enclosures:
As described.

MAR 9 1935

CE The Honorable
Robert J. Travis,
16 Commercial Building,
Savannah, Georgia.

[Signature]
RJD/DLY
3-8-35

FE



793.94/6920A

SOURCE: NEW YORK HERALD
TRIBUNE,
April 19, 1934.

TEXT OF STATEMENT ISSUED TO THE PRESS ON APRIL 17,
1934, BY THE JAPANESE FOREIGN OFFICE SPOKESMAN.
(As telegraphed by the Tokyo correspondent under
Tokyo date line April 18.)

Text of Statement

The Foreign Office spokesman's statement 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 was compelled to withdraw from the League of Nations because Japan and the League failed to agree about Japan's position in East Asia, and, although Japan's attitude toward China may differ from that of other countries, such differences cannot be avoided, due to Japan's special position and mission.

Japan is endeavoring to maintain and enhance friendly relations with foreign nations, but Japan considers that, to keep peace and order in East Asia, she must act single-handed, on her own responsibility. Japan considers that no other country except China is in a position to share that responsibility.

Opposes Outside Influences

Accordingly, preservation of the unity of China and restoration of order in that country are two objectives ardently desired by Japan for the sake of peace in east Asia. History shows that unity and restoration of order can only be attained by waking up China.

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.

Japan expects foreign nations to give consideration to the special situation created by the Manchuria and Shanghai incidents, and to realize that technical or financial assistance to China must attain political significance.

Acts of this kind must give rise to complications and might necessitate discussion of problems such as fixing zones of interest, or even international control or division of China, which would be the greatest possible misfortune for China and would have the most serious effect for East Asia and, ultimately, for Japan.

Sale

- 2 -

Sale of War Planes Opposed

Japan must therefore object to such undertakings in principle. Although she will not object to any foreign country negotiating individually with China regarding propositions of finance or trade so long as these propositions are beneficial to China and do not threaten the maintenance of order in East Asia. If such negotiations threaten to disturb the peace of East Asia, Japan will be compelled to oppose them.

For example, supplying China with war planes, building airdromes and detailing military instructors or advisers to China, or contracting a loan to provide funds for political uses, would obviously tend to separate Japan and other countries from China, and ultimately would prove prejudicial to the peace of East Asia. Japan will oppose such projects.

The foregoing attitude should be clear from the policies Japan has pursued in the past, but, due to the fact of gestures for joint assistance to China and other aggressive assistance by foreign countries, becoming too conspicuous, it is deemed advisable to make known the foregoing policies.

The Foreign Office spokesman said this statement of policy had been communicated to all Japanese envoys abroad for their guidance.

"Japan is at present in a position to maintain peace in the Far East and does not need the help of others," the spokesman said also. "If the League of Nations should take concerted action in China having political significance, it would be objectionable to us."

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

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 29, 1935.

RC
~~EHD:~~

~~MWH:~~

~~SKH:~~

Moscow reports that the détente in Soviet-Japanese relations continues to be apparent in the Soviet press. The progress of Sino-Japanese ^{relations} has been treated with considerable reticence and regard for Japanese sensibilities by the Soviet Press. This attitude is in marked contrast to that evinced in Russia until recently.

The report states that competent foreign observers believe that with the consummation of the sale of the Chinese Eastern Railway, Soviet recognition of "Manchukuo" may be expected. Factors which make other Powers reluctant to confer recognition, such as the oil and tobacco monopolies, bear little weight with the Soviet Union with its state monopoly of foreign trade.

WTT
WTT/DLY

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



EMBASSY OF THE
UNITED STATES OF AMERICA

BE
FE

No. 438

Moscow, March 5, 1935.

Subject: Soviet Opinion on Sino-Japanese
Developments.

CONFIDENTIAL.

793.94



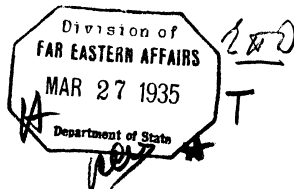
MAR 20 35

For Distribution-Check		Yes	No
Grade For			

793.94/6921

The Honorable

The Secretary of State,
Washington, D.C.



Sir:

I have the honor to report that the détente
in Soviet-Japanese relations continues to be appar-
ent in Soviet press comments on the Far East. The
TASS announcement from Tokyo which was printed in
the Soviet press on March 4th that Japanese opinion
expected a final agreement on all details of the
sale of the Chinese Eastern Railway within twenty
days at the latest, was received with satisfaction.
Favorable comments from the Japanese press on the
sale of the railway were published simultaneously
(IZVESTIYA, March 4, 1935).

APR 9 1935
FILED

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The

- 2 -

The progress of Sino-Japanese relations and the rumors of Japanese agreement with Chiang Kai-shek have in general been treated with considerable reticence and regard for Japanese sensibilities by the Soviet press. However, there has been no great attempt to hide the conviction that the alleged rapprochement is due to successful Japanese pressure rather than Chinese desire.

IZVESTIYA for February 27th commented editorially on a recent article in the New York periodical NATION in which Chiang Kai-shek was accused of having sold out to the Japanese and on March 2 PRAVDA featured comment on the rapprochement under the heading "Japanese Pressure on China," with subheading "Uneasiness of the Powers."

The recent conciliatory remarks of the Japanese Foreign Minister Hirota in commenting on Soviet-Japanese relations were quoted prominently in the Soviet press (PRAVDA of February 27 and IZVESTIYA of March 1). The PRAVDA of March 3 reported a statement of Kimura, the head of the Japanese Board of Trade, on the favorable prospects for Soviet-Japanese trade, and on the advisability of the conclusion of a non-aggression pact between the two countries.

The attitude of other countries, especially Great Britain and the United States, to developments in the Far East have been followed with considerable interest by the Soviet press. Special attention is devoted to supposed indications that America and England are

considering

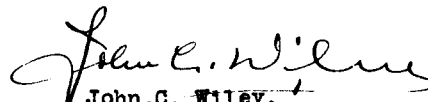
-3-

considering measures opposed to Japanese economic and financial hegemony over China.

In private conversations with Soviet officials, I have been told that it was expected that the present Japanese policy in China would meet with a considerable measure of success. It was also foreseen that Japan would carry out this policy by conciliation rather than by the exacting of further concessions. Japan would promise support for Chiang Kai-Shek, munitions and help against the "Red" armies in Shensi and probably also frontier rectifications in favor of China. Japan, it was expected, would also show considerable regard for British and American interests in the Far East. The effect on French interests was problematical, but it was expected that Italian interests in China would greatly suffer. Mussolini's anti-Japanese attitude and the events in Abyssinia have not been without effect on Japanese policy.

With the virtual consummation of the sale of the Chinese Eastern Railway, competent foreign observers are of the opinion that the recognition of "Manchukuo" by the Soviet Union may be expected. In this connection, it is pointed out that the reasons which inter alia make other powers reluctant to confer recognition, namely, the oil and proposed tobacco monopolies and the threat to private business and property rights in Manchuria, hold no terrors for the Soviet Union with its state monopolies of foreign trade.

Respectfully yours,


John C. Wiley,
Charge d'Affaires ad interim.

5 Carbon Copies
Received

KAC

ref. 44m

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Qn.

COPY TO RIGA.

JCW:CEB:HLA

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

TELEGRAM RECEIVED

REF

This telegram must be ¹⁻¹²⁻³⁵ FROM
closely paraphrased be-
fore being communicated
to anyone. (B)

TOKYO

Dated March 22, 1935

Rec'd 11:55 p. m.

Secretary of State,
Washington.

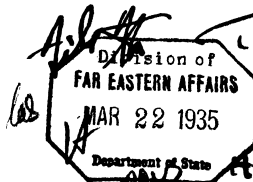
60, March 22, 6 p. m.

Department's 43, March 19, 7 p. m.

Strictly confidential.

One. In estimating the present Sino-Japanese situation the primary consideration to bear in mind is that the Japanese Government does not think or act as a unit. The cleavage between the liberal school of thought on the one hand and the Chauvinistic or military school of thought on the other hand is marked and at present is not susceptible of adjustment. The Chauvinists are definitely opposed to international assistance to China. Hirota may be classed with the liberals, Shigemitsu and Amai with the Chauvinists, which explains the discrepancies in their respective pronouncements. I question whether Hirota has even been consulted with regard to the recent activities of Doihara and Suzuki.

Two. Kadono, Managing Director of Okura and Company and one of the most influential business men in Japan told



793.94/6922

MAR 27 1935

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REP

2-#60, From Tokyo, March 22, 6 p. m.

told the British Ambassador yesterday quite definitely that Hirota had not approved and is not in sympathy with the policy toward China enunciated by Amau last April. Hirota has told Clive that he not only welcomed the British initiative in endeavoring to find a way to help China out of her financial difficulties but he also welcomed the cooperation of the other interested powers. Kadono said to Clive that Hirota is absolutely honest in expressing these opinions. I believe this to be true and that he is faced with genuine difficulties in reconciling his own policy with that of the die hards.

Three. While Hirota told Clive that he would talk with him again after discussing with Takahashi the question of a loan to China, Clive believes that Hirota sent Kadono in order to avoid an official expression of opinion. Kadono said that the business men of Japan, and he believed the banks also, were unalterably opposed to a loan to China owing to the absence of reliable security. He said that such a loan could not be floated in Japan under present conditions.

Four.

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

REP

3-#60, From Tokyo, March 22, 6 p. m.

Four. Factual evidence bearing on the situation is too meager at present to justify either analysis or predication from this angle. We have no indication other than press comment of the trend of Cadogan's conversations in Nanking and no indication of any Japanese plans other than Hirota's expressed desire to improve the general atmosphere of Sino-Japanese relations slowly and progressively.

Repeated to Peiping.

GREW

HPD

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

1-138
PREPARING OFFICE
WILL INDICATE WHETHER

Collect
Charge Department
OR
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TELEGRAM SENT

Department of State
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DEPARTMENT OF STATE

1-138 TO BE TRANSMITTED
~~CONFIDENTIAL CODE~~
NONCONFIDENTIAL CODE
PARTIAL
PLAIN

This cable was sent in confidential Code.
It should be carefully paraphrased before
being communicated to anyone.

AMEMBASSY, 13

1935 MAR 23 PM 1 51

Washington,

March 23, 1935.

DIVISION OF
COMMUNICATIONS
AND RECORDS

20

TOKYO (Japan).

46

Your 60, March 22, 6 p.m., is very helpful.

Contains just the type of information and comment
that we desired.

793.94/6922

H-ee

SKB

793.94/6922

FE: HED/DLY

m.m.H.
FE

MAY 23 1935

Enciphered by _____

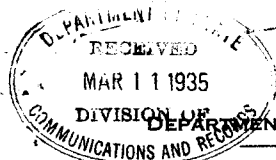
Sent by operator _____ M., _____, 19____

D. C. R.—No. 50.

1-138

U. S. GOVERNMENT PRINTING OFFICE: 1934

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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, 1935.

~~MEMO:~~
~~SCH:~~

[Handwritten signature]

The attached statement purports to contain Wang Ching-wei's speech of February 20 delivered to the Central Political Council on the subject of Sino-Japanese relations.

Wang's speech, which apparently was occasioned by Mr. Hirota's remarks to the Japanese Diet on January 23, makes known not only Wang's views but also those of Chiang Kai-shek and Sun Yat-sen in regard to Sino-Japanese relations. These views, which in tone are markedly friendly to Japan, emphasize the necessity in China of "unification and reconstruction"; China's earnest desire to promote friendly relations with all countries, particularly Japan "whose geographical, historical, cultural and racial relationship with this country is so closely bound"; the ancient peace between China and Japan and the strained relations of late; the desire of China to solve all difficulties between it and Japan by pacific means; the hope that Japan will forsake the doctrine of "might is right" for one of "cooperation" based on

"sincerity

793.94/6923

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MAR 11 1935

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

- 2 -

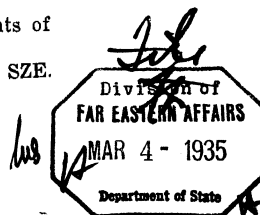
"sincerity and justice"; the necessity, on the part of Japan, of avoiding "acts of aggression and humiliation" and, on the part of both countries, of restoring a normal Sino-Japanese relationship.

It would seem likely that Wang's speech was made with a view to paving the way to, and hastening the completion of, a definitely friendly working arrangement by and between China and Japan.

RCM
RCM:EJL

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

With the compliments of
SAO-KE ALFRED SZE.



SPEECH BEFORE THE CENTRAL POLITICAL COUNCIL
ON FEBRUARY 20
BY MR. WANG CHING-WEI

Speaking before the Central Political Council on February 20 on the subject of Sino-Japanese relations Mr. Wang Ching-Wei, President of the Executive Yuan, commented on Mr. Hirota's speech which was recently delivered in the Japanese Diet in the following terms:

"The speech delivered by Mr. Hirota, the Japanese Foreign Minister, on January 23 before the Japanese Diet concerning the Japanese policy towards China has been fully reported by foreign as well as Chinese newspapers. As a matter of fact important journals in various countries have published numerous comments on it. It is therefore unnecessary for me to repeat it to you here.

"It is my intention today to acquaint you with my personal reactions towards Mr. Hirota's speech. In a way what I am going to say may also be taken as an explanation of our fundamental policy towards Japan.

"In order to modernize China we must direct our attention to two important prerequisites, namely - 'unification' and 'reconstruction'. We have been handicapped by institutional deficiencies and economic backwardness as well as by lack of communication and educational facilities. To realize our aims in unification and reconstruction we must have durable peace. But in this modern world where communications have

793.94/6923

- 2 -

have become so highly developed and where political and economic interrelationship among nations has grown so close our love for peace must be taken in its broadest sense. For besides working for peace in China we also wish other countries themselves to have peace. Indeed we particularly wish that in international intercourse peace may be definitely guaranteed. For this reason China is willing under the principles of equality and mutual assistance to maintain and promote friendly and peaceable relations with any country not to mention a neighbor like Japan whose geographical, historical, cultural and racial relationship with this country is so closely bound.

"It may be recalled that our late leader Dr. Sun Yat-Sen said in the course of a speech which he delivered at Kobe on November 28, 1924, that 'considering the relationship between China and Japan in all respects the peoples of the two countries should work hand in hand and cooperate in the advancement of the welfare of the two countries'. It was Dr. Sun's last speech and is well remembered by all his followers. It was the basis of his Sino-Japanese policy to which he adhered all his lifetime.

"Even from the standpoint of our revolution it may also be recalled that from the day of Chung Hsin Hui through the period of Tung Meng Hui down to the Revolution in 1911 we have received considerable help and sympathy from Japanese friends whether officials or non-officials. These facts are no doubt still within the memory of those who participated in the revolutionary work. Bearing this point in mind it may be seen
how

- 3 -

how intimate the relations between China and Japan should be.

"But unfortunately not only no real friendship has been cultivated between China and Japan but also for the last twenty years unexpected complications have continually arisen between the two countries and what is more unfortunate these complications have become more and more serious and dangerous in nature. In consequence not only have the relations between the two countries grown worse but even the whole world has found itself in an atmosphere of insecurity. This must certainly be regarded as a deplorable state of things not only by the two countries concerned but also by the whole world.

"It is true that we are now in the midst of a national crisis of the severest nature but we are confident that since the relations between the two countries have had a history of such long duration troubles as existing at present can after all be solved by means of mutual sincerity.

"After reading the speech recently delivered by the Japanese foreign Minister Mr. Hirota we are of the opinion that generally it agrees in spirit with what we have hitherto advocated. Now that China and Japan have expressed their common desires it is a matter for great rejoicing for us that by dint of mutual efforts Sino-Japanese relations will henceforth have an opportunity to improve as well as to be restored into regular channels.

"Now I wish to emphasize with all frankness and seriousness that we wish to solve all complications between the two countries

- 4 -

countries with fullness of sincerity and through pacific means as well as by regular procedure so that all mutual suspicions and all speeches and actions mutually repulsive and detrimental may be gradually eradicated and that the hope of close friendship between the two countries as entertained by our late party leader Dr. Sun Yat-Sen may be realized.

"In a word if the people of China and Japan will not cling to their immediate interests nor mind temporary feelings but will show each other mutual sincerity and stand for righteousness in order to work for a durable peace between the two countries then it is quite certain that a rational solution of fundamental issues between the two countries will be obtained. This will be a blessing not only for the two countries and for eastern Asia but it will be also the greatest contribution to peace in the world."

The generalissimo opines that Japan should forsake the doctrine of "might is right". In an interview at Kuling on February 16 views were frankly expressed by General Chiang Kai-Shek on the Sino-Japanese situation and the fundamentals upon which cooperation between the two countries should be based. In an interview recently granted to Mr. Miyasaki, representative of the Osaka Asahi in Kuling following were the interviewer's questions and the generalissimo's answers:

✓ Question. For the welfare of East Asia there is necessity for China and Japan to cooperate with each other. What should be the method of cooperation?

Answer. Not only for the welfare of the Far East but also the welfare of the world as well it is

necessary

- 4 -

countries with fullness of sincerity and through pacific means as well as by regular procedure so that all mutual suspicions and all speeches and actions mutually repulsive and detrimental may be gradually eradicated and that the hope of close friendship between the two countries as entertained by our late party leader Dr. Sun Yat-Sen may be realized.

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✓ Question. For the welfare of East Asia there is necessity for China and Japan to cooperate with each other. What should be the method of cooperation?

Answer. Not only for the welfare of the Far East but also the welfare of the world as well it is

necessary

- 5 -

necessary for China and Japan to cooperate; because on the one hand these two countries are only independent members of the Far East and on the other also important members of the world. Sincerity and justice are the first fundamentals upon which cooperation should be based and only through them could true cooperation be fully realized.

Question. Kindly let me know without reserve Your Excellency's opinion about Japan and the Japanese.

Answer. We have always admired your people for the rapid progress you have made since your reformation and respected the virtues characteristic of your people such as patriotism, filial piety, courtesy, diligence and thrift. But if you should forsake the original spirit of oriental civilization and be influenced by the Doctrine that "Might is right" it would be a great pity.

Question. Is there any good basic solution for the present Sino-Japanese trouble?

Answer. From the beginning I have been convinced that sincerity and justice are the basic principles for the solution of the present Sino-Japanese trouble. Since you are also eager to have Sino-Japanese cooperation as a reality you should take into serious consideration the national psychology of the Chinese people.

As

- 6 -

As a matter of fact China originally did not entertain any anti-Japanese feeling; furthermore in my opinion there should be no necessity to do so. But we Chinese have generally harbored deep resentment against the Ching Dynasty, - that is to say against the rule of the Emperors of Ching. After a struggle of 300 years we have at last succeeded in emancipating ourselves from the yoke under the rule of an alien race and I fear this feeling has been aggravated by the northeastern situation. Furthermore the northeastern situation as it exists today is daily an added grievance to our people and due to repeated provocations it would be impossible to eradicate this resentment without removing the cause. We should not therefore neglect to take into consideration our people's attitude as an important factor in the realization of Sino-Japanese cooperation.

Question. What is Your Excellency's opinion concerning the suppression of the anti-Japanese attitude and the improvement of feeling between these two countries, especially from an educational point of view?

Answer. China has ever upheld sincerity, justice and peace in order to establish close cooperation with friendly powers and has never harbored

enmity

- 7 -

enmity against any. We have adopted the same policy in our education, the principal aim of which is to develop righteousness, kindness and the spirit of mutual cooperation; and any action contrary to this spirit which might foster a sentiment of hatred should be rectified so as to maintain a wholesome national atmosphere. However the same attention and effort to this end should be paid and directed by all parties. And most important of all acts of aggression and humiliation should be avoided in order not to wound and stir up our people to a sense of unrighted wrongs. Realization of this fact would make possible the improvement of better relations between the two countries.

Question. Will you please let me have an expression of your opinion regarding economic cooperation between China and Japan?

Answer. Regarding this question it is necessary first to better the present condition of these two countries by the restoration of normal relationship. Then reasonable and purely economic cooperation for mutual benefit both can follow for which there is not only a possibility but also a necessity. However for real cooperation we must have the spirit of mutual sincerity and helpfulness without harboring ulterior motives.

Question.

- 8 -

Question. What is your Excellency's opinion regarding Mr. Hirota's speech on China's Policy?

Answer: Although Mr. Hirota's speech on China's Policy is somewhat vague yet we are much interested by it for at least it seems to be the turning point for the improvement of Sino-Japanese relationship. I believe Mr. Hirota will be able to substantiate his speech by subsequent actions which will enable our people to have a new conception of Japan.

Question. Regarding steps taken by the Kuomintang for the restoration of racial prestige they seem a bit too hasty and would naturally lead to anti- foreign tendencies especially fostering trouble between China and Japan. What is Your Excellency's opinion on this point?

Answer. Dr. Sun Yat-Sen's national revolution aims at China's self-determination and equality with other powers. China is now striving to build herself up as a modern nation based on the spirit of independence and self-reliance. Such action I think should not cause any international entanglement.

Question. In the past it has been the belief of Japan that the most effective way in dealing with China was through diplomatic negotiation; according to my opinion, however, sincerity is the best means

- 9 -

means to be employed in the future; what do you think, Your Excellency?

Answer. I believe that the only way for a solution of the Sino-Japanese question is justice through diplomatic negotiation.

Question. Regarding the doctrine of "Greater Asia" as promoted by Japan will you please give your criticism without reserve from the Chinese point of view?

Answer. Concerning this question please refer to Dr. Sun's writings which will give you a clear understanding of my ideas on the subject.

Question. According to my personal idea China should have a dictatorship to a certain extent. What is Your Excellency's opinion?

Answer. The conditions in China are quite different from Italy and Germany so a dictatorship is unsuitable for her.

Question. May I ask which figure in Chinese history Your Excellency admires most?

Answer. There are many sages and philosophers in historical China who are worthy of our admiration. However, Dr. Sun Yat-Sen is a man whose teachings I have followed and will uphold for the rest of my life.

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

JS

SPECIAL GRAY

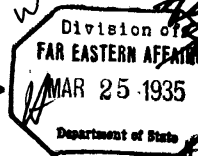
PEIPING (Via N.R.)
FROM

Dated March 23, 1935

Rec'd 10 a.m.

Secretary of State,
Washington, D.C.

126, March 23, noon



Although the Legation is unable to obtain any other authentic information with regard to the substance of the alleged conversations between certain Chinese and Japanese looking toward improved relations, the Legation is of the opinion that these conversations are primarily for the purpose of an improvement of a general character in Sino-Japanese relations and that such improvement will be accompanied gradually by concrete evidence that such improvement is being effected. Among those indications may be anticipated the raising of the two legations to embassies, changes in the Chinese tariff favorable to the Japanese, increased Sino-Japanese trade, industrial understandings. The Legation doubts that these conversations will result in any detailed agreement of wide scope but anticipates that rather they will prepare the way for a series of understandings or provisional developments, some of which will be arrived at by government officials,

some

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-2-

From Peiping, Mar. 23, #126

some by the military, and some by industrialists and other business men.

The foregoing is presumed to be the so-called Hirota policy, the immediate purpose of which is supposedly the development of China as a market for Japanese produce and as a source of raw materials for Japanese factories. It is too soon to hazard what the political implications of this policy may be.

It is believed, however, that at least an important part of the military is not satisfied with Hirota's policy. They are skeptical of its success, due to their belief that "friendliness" shown by the Chinese will not be "sincere." They are at heart afraid of a strong Chinese developing to a degree inimical to Japanese expansion. And they are interested in obtaining in China certain non-economic objectives, such as strategic advantages in preparation for a future war with Russia and other advantages which will make it impossible for China's military to become a threat to Japan.

How long the Japanese military may permit the Hirota policy to be tried out is not known. Reports from Manchuria indicate that the Kwantung army is at present more intent on consolidating its position in Manchuria and in improving "Manchukuo" than in adventuring outside its borders
in

-3-

From Peiping, Mar. 23, #126

in other than political adventure. Report of Major General Doihara to his colleagues in the Kwantung army on his tour of China will have an important bearing on the attitude of the Kwantung army; but Doihara's ideas are not known to the Legation. The Legation does not expect any important military move on the part of the Japanese army in the near future. This does not preclude, however, the possibility of factional activities with that section of the Japanese military which believes in the desirability of dealing with certain of lower acting Chinese leaders and in weakening General Chiang Kai-shek. This lack of unity of policy on the part of the Japanese makes it impossible to be more definite in a forecast of future events than that the Japanese military instruments prevent China from becoming either a barrier or a menace to Japanese expansion.

As to the Chinese, there is no reason to believe that they will do other than reluctantly comply with Japanese desires, in view of the improbability of help being obtained from other quarters and in view of the serious internal problems which confront General Chiang Kai-shek and the Nanking Government.

JOHNSON

WWC JS

DECLASSIFIED: E.O. 11652, 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 26, 1935

~~Wang~~
~~Ching-mei~~
~~E/HD~~

To note Peking's
brief despatch no 3401
of March 1, 1935 enclosing
a translation of a speech
by Mr Wang Ching-mei. This
speech was adequately
summarized in the Legation's
telegram no 84 (attached)
no action required



LEGATION OF THE
UNITED STATES OF AMERICA

No. 3401

Peiping, March 1, 1935

Subject: Sino-Japanese Relations

1935 MAR 23 AM 11 29



DIVISION OF
COMMUNICATIONS
AND RECORDS

For Distribution-Check		Yes	No
Grade	X	X	X
For			
To Field In U.S.A.			

793.94/6925

The Honorable
The Secretary of State,
Washington.

Sir:

Referring to my telegram No. 84 of February 21,
12 noon, 1935, in which was summarized an address
made February 20 by the President of the Executive
Yuan, Mr. Wang Ching-wei, to the Central Political
Council with regard to improving Sino-Japanese
relations, I have the honor to forward, as of
possible interest, a copy in translation of Mr.
Wang's address as published in the Chinese press.

Respectfully yours,

For the Minister:

C. E. Gauss,
Counselor of Legation.

Enclosure:

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MAR 27 1935

F/FG.

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

- 2 -

Enclosure: ✓

- 1/ Copy in translation of
speech of Mr. Wang Ching-
wei to Central Political
Council as reported in the
Chinese press.

710

LES/rd

Original and 1 copy to the Department.

ENCLOSURE NO.
TO BE FILLED IN

3401

SPEECH OF PRESIDENT OF THE EXECUTIVE
YUAN, DR. WANG CHING-WEI, MADE BEFORE
THE CENTRAL POLITICAL COUNCIL ON
FEBRUARY 20, 1935.

"The speech delivered by Mr. Hirota, Japanese Foreign Minister, on January 23 before the Japanese Diet concerning Japanese policy towards China has been fully reported by foreign as well as Chinese newspapers. As a matter of fact, important journals in various countries have published numerous comments on it. It is therefore unnecessary for me to repeat to you here.

GIVES PERSONAL REACTIONS.

"It is my intention today to acquaint you with my personal reactions towards Mr. Hirota's speech. In a way what I am going to say may also be taken as an explanation of our fundamental policy towards Japan.

"In order to modernize China, we must direct our attention to two important prerequisites; namely, unification and reconstruction. We have been handicapped by institutional deficiencies and economic backwardness as well as by the lack of communications and educational facilities. To realize our aims in unification and reconstruction we must have durable peace. But to this modern world where communications have become so highly developed and where the political and economic inter-relationship among nations has grown so close our love for peace must be taken in its broadest sense. For besides working for peace in China we also wish other countries themselves to have peace, particularly peace which can be protected among the nations. For this reason China is willing, under the principles of equality and mutual assistance, to maintain and promote friendly and peaceful relations with any country, not to mention a neighbour like Japan, whose geographical, historical, cultural and racial relationship with this country is so closely bound.

PEOPLES SHOULD CO-OPERATE.

"It may be recalled that our late leader Dr. Sun Yat-sen said in the course of a speech which he delivered at Kobe on January 28, 1924, that considering the relationship between China and Japan in all respects the peoples of the two countries should work hand in hand and cooperate in the advancement of the welfare of the two countries. It was Dr. Sun's last speech and is well remembered by all his followers. It was the basis of his Sino-Japanese policy which he advocated all his life time.

"Even from the standpoint of our revolution it may also be recalled that from the days of Chung Hsing Hui, through the period of the T'ung Meng Hui, down to the success of the Revolution of 1911 we have received

considerable

- 2 -

considerable sympathy and assistance from Japanese friends whether officials or non-officials. These facts are no doubt still in the memory of those who participated in the revolutionary movement. Bearing this point in mind it may be seen how intimate the relations between China and Japan should be.

COMPLICATIONS ARISE.

"Unfortunately, not only has no real friendship been cultivated between China and Japan but also for the last twenty odd years unexpected complications have continually arisen between the two countries and what is more unfortunate, these complications have become more and more serious and dangerous in nature. In consequence not only have the relations between the two countries grown worse but even the whole world has found itself in an atmosphere of insecurity. This must be regarded as a deplorable state of things not only by the two countries concerned but also by the whole world.

"It is true that we are now in the midst of a national crisis of the severest nature, but we are confident that since the relations between the two countries has had a history of such long duration the complications as existing at present can after all be solved by means of mutual sincerity.

"After reading the speech recently delivered by the Japanese Minister of Foreign Affairs, Mr. Hirota, we are of the opinion that generally he agrees in spirit with what we have hitherto advocated. Now that China and Japan have expressed their common desires, it is a matter of great rejoicing for us that by dint of mutual efforts Sino-Japanese relations will henceforth have an opportunity to improve as well as to be restored into regular channels.

HOPE OF CLOSER FRIENDSHIP.

"Now I wish to emphasize with all frankness and seriousness that we wish to solve all the complications between the two countries with fullness of sincerity and through pacific means as well as regular procedure so that all mutual suspicions and all speeches and actions mutually repulsive and detrimental may be gradually eradicated and that the hope of close friendship between the two countries as entertained by the late party leader Dr. Sun may be realized.

"In a word, if the people of China and Japan will not cling to the immediate interests nor mind the temporary feelings, but will show each other mutual sincerity and stand for righteousness in order to work for a durable peace between the two countries, then it is quite certain that a rational solution of fundamental issues between the two countries will be obtained. It will be a blessing not only for the two countries and for Eastern Asia, but it will be a blessing to the peace of the world."

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 29, 1935.

~~ASAC~~

~~ASAC~~

~~ASAC~~

~~ASAC~~

Nanking's brief despatch
under date February 26, 1935,
in regard to Sino-Japanese
relations is in my mind
well worth reading in
its entirety. The enclosure
to the despatch need not be
read as the information
contained therein is known
to FE.

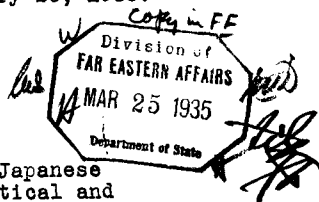
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Department of State letter, August 10, 1972
By Milton O. Huelsken NARS, Date 12-18-75



LEGATION OF THE
UNITED STATES OF AMERICA

Nanking Office, February 26, 1935.



Subject: Sino-Japanese Relations; Japanese
Attempts to initiate political and
economic cooperation with China.

The Honorable

The Secretary of State,

Washington.

For Distribution-Check		Yes	No
Grade	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
For	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
To field In U.S.A.		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CNI		MID	

Sir:

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

I have the honor to enclose herewith a copy of
my despatch No.L-623 Diplomatic dated February 26,
1935, to the American Legation, Peiping, on the
subject "Sino-Japanese Relations; Japanese Attempts
to initiate political and economic cooperation with
China".

Respectfully yours,

Willys R. Peek
Willys R. Peek,
Counselor of Legation.

✓
Enclosure:

As stated.

In quintuplicate.

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WRP:MCL

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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. Hunsicker NARS, Date 12-18-75

L-623 Diplomatic

Nanking Office, February 26, 1935.

Subject: Sino-Japanese Relations; Japanese
Attempts to initiate political and
economic cooperation with China.

The Honorable

Nelson Trusler Johnson,
American Minister,
Peiping.

Sir:

I have the honor to refer to my despatch No. L-622, of February 25, 1935, on the subject "Sino-Japanese Relations; Japanese Proposals for political and economic cooperation".

In connection with this subject I have the honor to report that an American citizen residing in Nanking called on the American Minister and me on the morning of February 25 and gave us the substance of information imparted to him by an unnamed Chinese informant who was described by him as being an official of the Chinese Government in position to receive authoritative news of what is transpiring.

The Chinese informant stated that up to the present time the Japanese had presented nothing in the nature of an ultimatum to the Chinese Government, nor were their proposals being presented formally to the Ministry of Foreign Affairs. He said that the Japanese recognized that the procedure followed in connection with the "Twenty-one Demands" of 1915 had been a mistake and

that

-2-

that they were now seeking "cooperation" and were submitting their suggestions as mere "proposals", through many channels. He said that the attitude of General Chiang Kai-shek toward these proposals had not been explicitly defined and was unknown, even to the Minister for Foreign Affairs, but it was feared that General Chiang was disposed to "yield".

According to this informant the Japanese are pursuing two main objectives in their present campaign of pressure on China: (1) the bringing about of an offensive and defensive alliance between the two countries and (2) various schemes of economic cooperation.

Shimada, Hirota (14)
He said that definite information had been received that the Japanese Minister for Foreign Affairs, Mr. Hirota, is coming to China in April, 1935, and what the members of the "Resistance to Japan" faction fear is that the Chinese Government will be obliged to return at least partially favorable replies to the proposals at that time.

Taking up the matter of the military alliance, the informant said that through assistance rendered in the training of troops, the appointment of Japanese advisers and other even more effective methods, the alliance would result in practical Japanese control of Shanghai, the Yangtze Valley, the seacoast and the Northwest (Chinese Turkestan). All fortifications, for example, under the terms of the alliance would be under Japanese supervision.

Proposals for economic cooperation make it clear that what the Japanese are aiming for is ultimate control of the production in China of coal, iron, antimony, wheat, rice, wool and cotton and of the rural cooperative societies, which are now in process of formation on an extensive scale.

The informant

-3-

The informant stated that the Japanese have proposed that the Director of the great east-west Lunghai Railway shall be a Japanese and that in the future Japan shall have the exclusive right to provide capital for railway construction.

He said that the Japanese had proposed the creation of a Japanese bank in Shanghai with an enormous capital, which he designated as Y200,000,000 and that they professed themselves as prepared to accomodate China with loans for economic development to an indefinite amount. Japanese advisers were, however, to be engaged by the Chinese Government to assist in all sorts of activity, notably in the production of the raw materials mentioned above.

A face-saving Chinese committee would be organized to supervise these various projects, but this committee would function through other committees on which Japanese would hold influential positions. The Chinese informant stated that the Japanese are insisting that if these various offers of assistance are to be availed of by China, anti-Japanese agitation must completely cease. (There is enclosed a copy of a press account of statements to the same effect made by the well-known General Doihara; this is a point on which the published statements of Japanese statesmen have placed great emphasis.)

The Chinese informant did not fail to point out, as many Chinese have done recently, that China would not be in its present helpless position in the face of Japanese insistence on economic cooperation, were it not for the fact that economic depression has been caused in China by the American Government's silver-buying program.

In reply

-4-

In reply to a question, the Chinese informant said that probably not more than one hundred Chinese were cognizant of the nature of the Japanese proposals. Nevertheless, the descriptions quoted in this despatch are so similar to those received by officers of the American Legation from several sources, that it seems safe to assume that they are fairly accurate accounts of what the Japanese are trying to achieve. The American caller said that he had asked his Chinese informant whether, if the Chinese Government wanted to obtain moral support in resisting these proposals, it would not be a good idea for the Government to give full publicity to them, and that the reply had been that no individual dared to admit publicly that he had been engaged in such conversations with Japanese agents, for fear of the storm of criticism which would follow.

Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Enclosure:

United Press despatch dated Shanghai,
February 19, 1935.

One copy to the American Legation.
Five copies to the Department.
One copy to the American Embassy in Tokyo.

800

WRP:MOL

A true copy of
the signed original
[Signature]

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

Enclosure to despatch to the Legation No.L-823 Diplomatic
of Willys R. Peck, Counselor of Legation, Nanking Office,
dated February 26, 1935, entitled "Sino-Japanese Relations;
Japanese Attempts to initiate political and economic co-
operation with China".

NORTH CHINA STAR, February 20, 1935.

SINO-NIPPON RAPPROCHEMENT IMPOSSIBLE UNLESS CHINA SUPPRESSES
ANTI-JAPANESE AGITATION, DECLARES GENERAL DOIHARA

United Press

Shanghai, Feb. 19. -- Nanking must take more effective
measures to suppress anti-Japanese agitation in China or
Sino-Japanese rapprochement will be impossible, Major
General Kenji Doihara, powerful secret agent of the Japanese
Army's General Staff whose official title is "head of the
Japanese Military Mission in Mukden," told the United Press
in an interview here today.

General Doihara arrived in Shanghai Sunday from Tientsin
and is proceeding to Nanking on Tuesday afternoon. He em-
phasized the fact that it is a "personal visit" and seeks
to renew acquaintance with many Chinese friends, including
several high Government officials.

He indicated that Japan's policy toward China cannot be
altered, and explained that the policy is always friendly.

"The incidents of the past were regrettable," he said,
but were the result of Chinese antagonism inspired by mis-
understanding.

Chinese officialdom is gradually recognizing the fact
that China's interests are served best by friendly cooperation
with Japan, he said.

"Yet it cannot be said that Nanking's attitude is

entirely

-2-

entirely satisfactory," he told the United Press.

Major General Doihara smilingly denied reports that his recent visit to Peiping and Tientsin was the forerunner of any unusual activity.

The occasional northern border clashes were due to misunderstandings, he said. General Doihara admitted that the resumption of large-scale hostilities in the north would not surprise him, although he believed they were not very likely. "Anyway," he said, "Japan will not provoke the trouble."

He expressed the opinion that Japan will not be able to assist China financially until the Chinese Government and also the Chinese people are thoroughly convinced of the wisdom and importance of eradicating the last vestige of anti-Japanism.

Observers considered his visit to Shanghai and Nanking as of the utmost significance to future relations between the two countries.

DECLASSIFIED: E.O. 11652, 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 3, 1935.

~~MEM.~~

~~MEM.~~

~~CHINA~~ Shanghai's despatch No. 9912 of February 27, 1935, concerning Sino-Japanese rapprochement mentioned in the speeches of Chinese and Japanese leaders.

No action required.

The despatch states that the address of Mr. Wang Ching-wei, President of the Executive Yuan, to the Central Political Council at Nanking is characterized by the Shanghai press as one of the most outspoken speeches of recent years in regard to relations between the two countries and that it stresses the desire of China, on a basis of equality and mutual cooperation, to maintain and promote friendly relations with all countries and "not to mention a neighbor like Japan, whose geographical, historical, cultural and racial relationship with this country is so close".

The despatch mentions that on the same day Sino-Japanese relations were discussed by Dr. Wang Chung-hui, Chinese member of the Permanent Court of International Justice, and the Japanese Minister

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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

- 2 -

Minister for Foreign Affairs and that the latter is reported to have informed Dr. Wang that the Japanese Government would gladly give any sort of assistance to China if China would rigidly suppress the anti-Japanese movements and show sincerity towards Japan. This point, namely anti-Japanese activities, was also stressed by the Japanese Minister of War in the course of a conversation with Dr. Wang Chung-hui, Shanghai adds that the stressing of this charge by the Japanese would seem to indicate that Japan may possibly utilize the alleged existence of anti-Japanese activities as an excuse for military action against China or as a threat to force China to accept Japan's terms of cooperation.

DFS
EFS/VDM

DECLASSIFIED: E.O. 11652, 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. 9912

AMERICAN CONSULATE GENERAL.

Shanghai, China, February 27, 1935



SUBJECT: Sino-Japanese Rapprochement mentioned
in Chinese and Japanese Leaders' Speeches;
undue stress on Anti-Japanese incidents.

THE HONORABLE

THE SECRETARY OF STATE,

For Distribution-Check		Yes	No
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For	In U.S.A.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
C. S. Reid		ONI	MID

WASHINGTON.

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I have the honor to summarize herewith the various recent pronouncements of prominent Chinese and Japanese leaders as to the desirability and possibility of a rapprochement between China and Japan.

On February 20, 1935, in addressing the Central Political Council at Nanking, Mr. Wang Ching-wei, President of the Executive Yuan, expressed hopes of a "rational solution of the fundamental issues" now in question between China and Japan. In the course of this speech, which the Shanghai press characterized as one of the most outspoken speeches of recent years in regard to the relations between the two countries, Mr. Wang commented on the recent pronouncements of Mr. K. Hirota, Japanese Minister of Foreign Affairs, (see this Consulate General's despatch No. 9843 to the Department of January 26, 1935) and emphasized that

China's

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China's desire for peace could be realized by the introduction of principles of equality and mutual assistance in the relations between the two nations.

Mr. Wang prefaced his remarks by the statement that "what I am going to say may also be taken as an explanation of our fundamental policy towards Japan" and then proceeded:

".....For, besides working for peace in China, we also desire to see peace promoted with other countries. Indeed, we particularly wish that in international intercourse peace may be definitely guaranteed. For this reason China is willing, under principles of equality and mutual assistance to maintain and promote friendly and peaceable relations with any country, not to mention a neighbor like Japan, whose geographical, historical, cultural and racial relationship with this country is so close.....Considering the relationship between China and Japan in all respects, the peoples of these two countries should work hand-in-hand and cooperate for the advancement of the welfare of both countries....It is true that we are now in the midst of a national crisis of the most severe nature, but we are confident that since relations between China and Japan have had a history of such a long duration the troubles which exist at the present time can, after all, be solved by means of mutual sincerity....Now I wish to emphasize with all frankness and seriousness that we wish to solve all complications between the two countries with a fullness of sincerity and through pacific means, as well as by regular procedure, so that all suspicions, and all speeches and actions mutually repulsive and detrimental may gradually be eradicated.... If the people of China and Japan do not cling to immediate interests nor mind temporary feelings, but will show each other mutual sincerity and stand for righteousness in order to work for durable peace between the two countries, then it is quite certain that a rational solution of the fundamental issues between the two countries will be obtained...."

it also being mentioned that cooperation was the basis of Dr. Sun Yat-sen's Sino-Japanese policy. Thus,

although

-3-

although no formula for the solution is announced, the spokesman for the Nanking regime voices a strong desire for friendship with Japan.

1/ A most interesting commentary on Mr. Wang's address appeared in an editorial in THE CHINA PRESS (Chinese independent daily) of February 22, 1935, a copy of which is enclosed. Attributing sincerity to Mr. Wang's plea for peace, the writer indicated his belief that important developments in Sino-Japanese relations would be soon forthcoming.

On the same day, [In Japan, Sino-Japanese relations were discussed between Dr. Wang Chung-hui, Chinese member of the Permanent Court of International Justice, and Mr. K. ^{Okada}Hirota, Japanese Minister of Foreign Affairs. It is reported in the press that, in the course of this interview, Mr. Hirota is understood to have explained Japan's new Chinese policy, as touched upon in his recent speech before the Imperial Japanese Diet, and to have added that the Japanese government would gladly give any sort of assistance to China if China would attend to the strict suppression of anti-Japanese movements and show sincerity towards Japan.) Simultaneously, a trade organization in Japan declared that hopes of attaining sincere cooperation between China and Japan were premature in view of the fact that the Chinese government permits such anti-Japanese activities as the "National Goods Utilization Societies". On the following day,

Dr.

-4-

Dr. Wang is said to have stated to General S. Hayashi, Japanese Minister of War, that, although some Chinese oppose Japan, China as a whole understands the imperative need for Sino-Japanese cooperation. To this General Hayashi is reported to have replied that the present unsatisfactory relations between the two countries results from China's anti-Japanese attitude and to have declared that "we want China to open her heart to our sincere offer of cooperation." Thus, from the Japanese point of view, friendly relations between China and Japan would appear to be dependent upon China's abandonment of any anti-Japanese activities and of any "buy national goods" campaign.

The most noteworthy feature of this exchange of views, of Chinese and Japanese pronouncements of national policy vis-a-vis each other, is the Japanese insistence on the existence of anti-Japanese activities in China. To be sure, there is a certain amount of anti-Japanese feeling in China but it has neither the proportion nor the gravity to warrant the weight which the Japanese leaders place upon this issue. The purpose of the Japanese insistence is therefore to be queried - whether by the reiteration of the statement that anti-Japanese activities are prevalent, Japan is seeking to provide an excuse for military action against China or merely utilizes such a statement to force China to accept Japan's terms of cooperation for fear that military force will be employed:

It

-5-

It is quite possible of course that this insistence is but a manifestation of the duality of direction in Japan - the civil authorities being ostensibly agreeable to a solution of all issues by peaceable means but the military preferring a solution by a show of force. This possibility is well brought out in a CHINA PRESS editorial of February 23, 1935, a copy of which is enclosed.

2/

Respectfully yours,

Edwin S. Cunningham
Edwin S. Cunningham,
American Consul General.

2 ✓

Enclosures:

- 1/- Editorial from THE CHINA PRESS of February 22, 1935.
- 2/- Editorial from THE CHINA PRESS of February 23, 1935.

800
CSR:JLM

In quintuplicate
Copy to Legation
Copy to Embassy, Tokyo

Enclosure No. 1 to despatch No. 9912 of Edwin S. Cunningham, American Consul General at Shanghai, China, dated February 27, 1935, on the subject: "Sino-Japanese rapprochement mentioned in Chinese and Japanese Leaders' Speeches; undue stress on Anti-Japanese Incidents."

SOURCE: THE CHINA PRESS (Chinese independent daily),
February 22, 1935.

Editorial.

FUTURE OF THE FAR EAST

EVERYTHING points to important developments during the present year, perhaps within a few months; not only in regard to the relationship between China and Japan, but in connection with what is comprehensively described as the Pacific problem. In yesterday's paper several very significant events were recorded. One report related to a momentous speech made before the Central Political Council at Nanking by Mr. Wang Chung-wei. Simultaneously Dr. Wang Chung-hui had a three hour interview in Tokyo with Mr. Koki Hirota. Also General Doihara arrived at Nanking and an interview with Mr. Wang Chung-wei was arranged for yesterday. Finally, Mr. Quo T'ai-chi had a long interview with the British Secretary for Foreign Affairs, Sir John Simon.

A reasonable conjecture is that all these things are related. Mr. Wang Chung-wei was careful to say that his Nanking address was his personal reaction to the policy speech of Mr. Hirota before the Diet. But an utterance by the President of the Executive Yuan will be generally regarded as a statement of the policy of the National Government. Interviews given by Generalissimo Chiang Kai-shek had moreover indicated the way for an explanation of the attitude of the National Government towards Japan. It is therefore not surprising that Mr. Wang Chung-wei declared that because of the desire for peace the National Government would not adopt a policy of military assistance to China, but would rather seek to establish friendly and peaceful relations with Japan. This is a statement which is in complete agreement with the National Government's policy towards Japan. In an impressive manner Mr. Wang said:

"If the people of China had been so stupid as to believe in the military assistance to China, they would have been deceived. The National Government has always been clear in its policy towards Japan. It has never been a policy of military assistance to China, but a policy of friendly and peaceful relations with Japan. It is this policy which is the basis of the National Government's policy towards Japan."

...geographical, historical,
natural and racial relationship
with this country is so close.

In an impressive peroration he
said:—

"If the people of China
and Japan do not cling to im-
mediate interests nor mind
temporary feelings, but will
show each other mutual sin-
cerity and stand for righteous-
ness in order to work for
durable peace between the two
countries, then it is quite
certain that a rational solution
of the fundamental issues be-
tween the two countries will
be obtained.

"This will be a blessing
not only for China and Japan
and for Eastern Asia, but
will also be the greatest con-
tribution to peace in the
world."

China's attitude has thus been
frankly and sincerely defined. The
world will watch with great in-
terest the reaction in Japan. Mr.
Hitotaka's original speech was
unheard, but it is recognized that,
in proclaiming Japan's foreign
policy, he has not as much freedom
of utterance as statesmen in a
similar position in other countries
enjoy. The reasons are well known
and need not be stressed.

All the countries directly or
indirectly interested in Far
Eastern Asia will be glad if China
and Japan can compose their dif-
ferences. They would be still bet-
ter pleased if it became clear that
the collective system for the pre-
servation of peace and the main-
tenance of the status quo and equal
opportunity, is to be associated
with a new reorientation of the
relations between China and
Japan.

Enclosure No. 2 to despatch No. Cunningham, American Consul Gen. China, dated February 27, 1935. Japanese rapprochement mentioned Japanese Leaders' Speeches; and Japanese Incidents."

SOURCE: THE
index
ary

Editor

Shanghai, Saturday, Feb. 23, 1935

DR. WANG CHUNG-HUI IN JAPAN

UNOFFICIAL plenipotentiaries are sometimes in a better position to obtain results than official representatives as they are able to talk over matters informally and make and receive confidences that are impossible when every word has to be weighed lest it should commit a government. Though Dr. Wang Chung-hui is not visiting Japan as an official representative of the National Government, he is one of the outstanding leaders of the Party and it was inevitable that he should exchange views with Japanese statesmen that may have a considerable influence on future events.

Assuming that Dr. Wang Chung-hui has been accurately reported by Rengo, he is of the opinion that there is no reason why economic matters should precede political issues in Sino-Japanese relations. It seemed to him that the settlement of political problems must take place before economic matters can be touched.

There is much to be said for this point of view. Speeches made by Mr. Hirota, interviews given by Generalissimo Chiang Kai-shek and the recent address by Mr. Wang Ching-wei show that there is a mutual desire to improve the relations between China and Japan. There is no reason to doubt Mr. Hirota's personal sincerity and the National Government has made it abundantly clear that it would welcome co-operation as long as China's rights are respected. On the face of things, the opportunity presents itself to clear up a number of problems which until they are solved stand in the way of good understanding and perhaps of world peace.

Issues between nations can

sideration, he says, but respects those who have the means of compulsion and let her know it. China, he declares, is moreover not sincere in wishing to establish good relations, but is only pretending that she is in order to gain concessions. He represents the National Government as taking advantage of the weakness of Mr. Hirota, and as secretly laughing at his willingness to adopt the policy of reason rather than force.

Mr. Hirota's friendly attitude is described as like that of an aged boatman who is willing to let himself drift ashore instead of using his oars. The article concludes:--

To make a long story short, that section of the Nanking Government which pretends to be serious in threatening out the Sino-Japanese situation is the "buffet" of the Japanese against the Japanese army. If the Japanese Foreign Office takes their attitude as a sign of Nanking's good will, it is flirting with danger. What Nanking actually has in mind against the Japanese Foreign Office is a sinister anti-Japanese plot. If Hirota is fully aware of the duality of the Nanking policy, he must not and cannot remain indifferent to the situation.

This extract gives a fairly clear clue to the element that is trying to make Mr. Hirota's efforts ineffective. Of course, in all countries ministers of state are subject to attack, but the Amau incident nearly a year ago showed that in Japan in particular the foreign policy of the country may be influenced by those who, from admittedly patriotic motives, consider that it is less "positive" than is desirable. Mr. Amau's statement, which excited so much attention at the time, was apparently made without Mr. Hirota's pre-knowledge, at all events it was disavowed. This incident shows that Mr. Hirota, as we pointed out in a previous article, is for certain reasons particularly liable to be hampered in following out the policy that he personally favors.

But he is certainly not lacking in courage. He has declared openly that he believes in the sincerity of the National Government. He does not like General Hayashi, the War Minister, but he sees that what anti-Japanese sentiment has been excited in this country has merely been the inevitable sprouting of the seeds sown by the Japanese military party. The Chinese are not inherently hostile to the Japanese, on the contrary they sincerely wish cordial relations. This is perfectly well understood by the liberal element in Japan and it will be the hope of well-wishers of both countries that this element will ultimately prevail.

Enclosure No. 2 to despatch No. 9912 of Edwin S. Cunningham, American Consul General at Shanghai, China, dated February 27, 1935, on the subject: "Sino-Japanese rapprochement mentioned in Chinese and Japanese Leaders' Speeches; undue stress on Anti-Japanese incidents."

SOURCE: THE CHINA PRESS (Chinese independent daily), February 23, 1935.

Editorial.

Shanghai, Saturday, Feb. 23, 1935

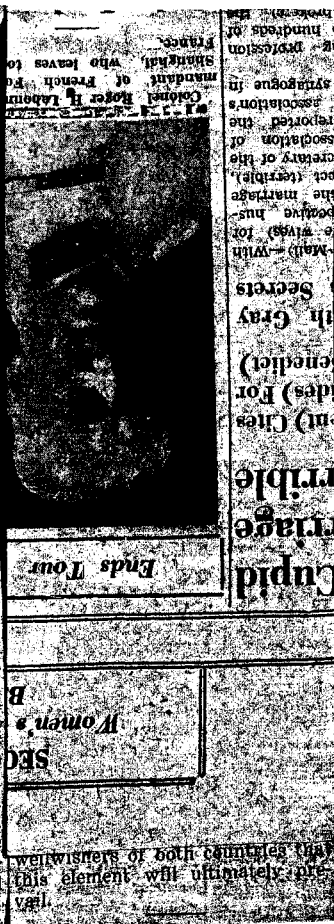
DR. WANG CHUNG-HUI IN JAPAN

UNOFFICIAL plenipotentiaries are sometimes in a better position to obtain results than official representatives as they are able to talk over matters informally and make and receive confidences that are impossible when every word has to be weighed lest it should commit a government. Though Dr. Wang Chung-hui is not visiting Japan as an official representative of the National Government, he is one of the outstanding leaders of the Party and it was inevitable that he should exchange views with Japanese statesmen that may have a considerable influence on future events.

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There is much to be said for this point of view. Speeches made by Mr. Hirota, interviews given by Generalissimo Chiang Kai-shek and the recent address by Mr. Wang Ching-wei show that there is a mutual desire to improve the relations between China and Japan. There is no reason to doubt Mr. Hirota's personal sincerity, and the National Government has made it abundantly clear that it would welcome co-operation as long as China's rights are respected. On the face of things, the opportunity presents itself to clear up a number of problems which, until they are solved, stand in the way of good understanding and perhaps of world peace.

Issues between nations can only be solved in one of two ways. The first—which is only a temporary solution—is for the one that is the more militarily strong to compel the other to bow to its will. That method sows seeds of bitterness that must germinate in time with disastrous results.



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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Issues between nations can only be solved in one of two ways. The first—which is only a temporary solution—is for the one that is the more militarily strong to compel the other to bow to its will. That method sows seeds of bitterness that must germinate in time with disastrous results. The other is compromise. Given goodwill and sincerity this method may prove permanently effective. Each party to a compromise must necessarily concede something, but voluntary concessions leave the future unclouded.

In considering the prospects of the Sino-Japanese co-operation in which the National Government is clearly prepared to play its part, it would be unwise to ignore the difficulties. A study of the Japanese newspapers proves that the Foreign Minister has not an entirely free hand. In fact there is evidence of a desire to wreck an attempt to establish better relations between the two neighboring countries, by discrediting both Mr. Hirota and the National Government. A striking proof of a movement to make the task of Mr. Hirota difficult is given by a long article by a well known Japanese publicist which has been translated by the Japan Chronicle.

The main contention of the writer is that China does not understand anything but force. She despises those who show her con-



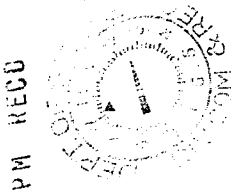
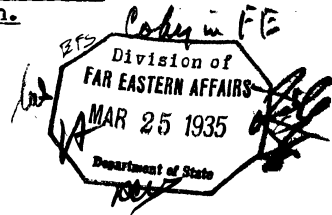
LEGATION OF THE
UNITED STATES OF AMERICA

No. 3397

February 28, 1935

Subject: Sino-Japanese Relations; Japanese
Proposals for Political and
Economic Cooperation.

793.94



MAR 23 1935

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

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

793.94/6928

Sir:

1/

I have the honor to forward a copy of despatch
No. 621 of February 25, 1935, addressed to the
Legation by the Counselor at Nanking, enclosing a
memorandum of comments made by Mr. Hallett Abend,
NEW YORK TIMES correspondent, with regard to
possible Japanese proposals for political and
economic cooperation with China.

APR 1 1935

Respectfully yours,

For the Minister:

C. E. Gauss,
Counselor of Legation.

Enclosure:

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

- 2 -

Enclosure:

1/ Copy of despatch No. 621,
February 25, 1935, from
Nanking to the Legation.

610

LES/rd

Original and 3 copies to the Department.
Copy to Tokyo.

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

L-521 Diplomatic

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3397

Nanking Office, February 25, 1935.

CONFIDENTIAL

Subject: Sino-Japanese Relations; Japanese
Proposals for political and economic cooperation.

The Honorable

Nelson Trusler Johnson,
American Minister,
Peiping.

Sir:

On the evening of February 24, 1935, Mr. George Atcheson, Second Secretary of the Legation stationed in Nanking, entertained Mr. Hallett Abend, NEW YORK TIMES correspondent, at dinner and there is enclosed herewith an interesting summary of their conversation, insofar as it bore on the subject given above.

The Legation will note that Mr. Abend believes that Japanese official agents have made to the Chinese authorities certain definite proposals for political and economic cooperation between the two countries, as represented by the employment of Japanese military and civil advisers, the raising of cotton and wool in China for sale in Japan, the construction of a railway for the transportation of Chinese coal to the coast for shipment to Japan, etc. (In this connection I have the honor to refer to my letter to the American Minister of

August 4,

-2-

August 4, 1934, entitled "Trends in Chinese Politics", reporting similar statements made to me by the Administrative Vice Minister for Foreign Affairs, Mr. Tang Yujen, some of whose observations are now strikingly confirmed by Mr. Abend's statements.)

Mr. Abend discussed the competition of Japanese consumer goods with Chinese and American manufactures in their home fields and expressed the belief that the Japanese are "exporting capital" to the United States. While Mr. Abend felt that the focus of Japanese activity had been transferred from north China to central China, he adduced evidence that it is still possible for a serious Sino-Japanese incident to occur in the northern area.

Respectfully yours,

Willys R. Peck,
Counselor of Legation.

Enclosure

Memorandum of conversation,
as stated.

Original and 5 copies to Legation
Copy to Consulate General, Tientsin.

800

WRP:MCL

A true copy of
the signed original
initial *W.R.P.*

CONFIDENTIAL

Memorandum of conversation

February 25, 1935.

Sino-Japanese issues

Mr. Hallett Abend, correspondent for the NEW YORK TIMES.
Secretary Atcheson.

(Following are the informant's remarks during the course of a general conversation at the officer's residence last evening; some of them were made in response to questions)

The informant stated that from the information he had received from Chinese leaders, he was convinced, in connection with the recent and continuing Japanese press campaign for closer "cooperation" between China and Japan, that Japanese agents had made to the Chinese Government definite demands or proposals for what the Japanese term cooperation between the two countries. The informant had not learned the exact nature of these demands or proposals but there were indications, in which he believed, that for the time being the Japanese proposals included, politically, the appointment by the Chinese Government of various kinds of Japanese advisers and for the rest were along the line of economic cooperation. He understood that the Japanese had definitely asked that Japanese advisers be appointed to certain departments of the Chinese Government and that the Japanese had mentioned military advisers as well as civil advisers.

The

-2-

The informant believed, from what he had heard, that among the specific proposals for "economic co-operation" were proposals that Japanese interests should assist in the development of the North China cotton industry, because the Japanese desired to free themselves of American cotton, and they also had plans of "cooperating" in the production of and marketing in Japan of North China wool with a view to freeing themselves from Australian wool. Coal was another raw product of China in which the Japanese were evincing interest and as a means of facilitating a new supply of coal to Japan from the Chinghsing mines in western Hopei, thus freeing themselves of any possible dependence on the Kailan mines, the Japanese had proposed financing the construction of a railway from Tangku to Shihchiachuang or to the coal mines themselves. The informant understood that the Japanese had also offered to finance the construction of a railway to connect the Tientsin-Pukow and the Peiping-Hankow lines, the connecting line to be constructed from Tsinan on the former railway and thence westward to some point on the other, probably near Shihchiachuang.

Speaking generally of the question of economic cooperation between China and Japan, not only as the Japanese appear to envisage the developments along this line but as a practical matter, the informant stated, partially on his own account and partially in response to questions, that he believed cooperation would turn out in many ways to be impossible. For example the

gradual

-3-

gradual industrialization of China would bring many Chinese products into competition with the products of Japanese factories, just as Japanese factories were now competing with American factories in the markets of the United States. Perhaps the Chinese would be able to compete very successfully against the Japanese in the end by producing a product for the Chinese market that would be actually cheaper than the Japanese product. For example, the informant did not know whether Japanese competition in the United States was on an entirely sound basis. He thought that the Japanese were "exporting capital"; i.e., the Japanese factories which were sending such cheap articles to the United States were not taxed as heavily as they should be in comparison with the agricultural population of Japan and if taxation should become more equalized in Japan the factories would not be able to offer as effective competition with American products or products of other nations.

As regards the general situation in North China the informant stated that in his opinion the center of Japanese activities had definitely shifted from the North to Nanking and Shanghai. General Huang Fu's appointment as Minister of the Interior (although he had not yet assumed this post) was indication of this trend and it was currently believed in Chinese circles in the north that the Peiping Political Affairs Readjustment Commission was no longer necessary. The visits to Shanghai and Nanking of General Doihara was another indication as was, perhaps, the fact that General Yu

Hsueh-chung,

-4-

Hsueh-chung, Chairman of the Hopei Provincial Government, had not yet removed his headquarters to Paotingfu. On the other hand, the concentration of Japanese political activities in Nanking and Shanghai did not mean necessarily that the storm center of Japanese activities in China had shifted. He recalled that some time ago a certain Japanese official had asked him why his paper no longer maintained a correspondent in Peiping and upon his reply that it seemed that the North might be quiet for a time the Japanese official had said emphatically that this prognostication was wrong and that "anything" might happen in North China. The informant did not consider the recent Chahar incident as of much significance in this connection from the Japanese point of view and the Japanese informant in question had indicated that when he made the above remark he had in mind much more serious and important developments.

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GAjr

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 1, 1935

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MMA

Nanking's unnumbered despatch
of March 1, 1935 in regard to
Sino-Japanese relations, en-
clores despatch to the Legation
concerning a recent address of
the Minister for Foreign
Affairs covering a friendly
policy toward Japan. Sufficiently
covered by Nanking's brief despatch
to the Legation. Speech summarized
in Pacific's telegram No. 84 of Feb.
21 was which I attached hereto.
EFS



LEGATION OF THE
UNITED STATES OF AMERICA

Nanking Office, March 1, 1935.

793.94
Subject: Sino-Japanese Relations
Address of the Minister
for Foreign Affairs
favoring a friendly
policy toward Japan.



The Honorable

The Secretary of State,
Washington.

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

Sir:

I have the honor to enclose herewith a copy of
my despatch No.L-633 Diplomatic dated March 1, 1935,
to the Legation entitled "Sino-Japanese Relations;
Address of the Minister for Foreign Affairs favoring
a friendly policy toward Japan".

Respectfully yours,

Willys R. Peck
Willys R. Peck,
Counselor of Legation.

✓
Enclosure:

As stated.

Original and four copies to Department.

800
WRP:T

FILED
APR 8 - 1935

793.94/6929

No.L-633 Diplomatic

Nanking Office, March 1, 1935.

Subject: Sino-Japanese Relations; Address
of the Minister for Foreign
Affairs favoring a friendly
policy toward Japan.

The Honorable

Nelson Trusler Johnson,

American Minister,

Peiping.

Sir:

I have the honor to refer to my telegram¹⁶⁸⁷⁹ of February 21,
4 p.m. reporting that on the day before the Minister for
Foreign Affairs had delivered an address, in which he advanced
reasons for special friendship between China and Japan.

This address, together with the fact that the Government
ordered its release to the press, both in the English
and Chinese languages, seems to mark the beginning of a
new and friendly policy on the part of China toward Japan,
Legation's and the
and to deserve a place in the Department's files. A copy
of the English translation as released by the Government
is, therefore, enclosed.

It will be noted that the Minister for Foreign Affairs
states that his words may "be taken as an explanation of
our fundamental policy towards Japan". The gist of the
speech follows:

Dr. Wang states that China's prime requisites are
"unification" and "reconstruction" and that to accomplish
these ends durable peace is essential. Seeking inter-
national peace, which is based upon complicated economic

DECLASSIFIED: E.O. 11652, 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 -

inter-relationships, China is willing to promote peaceable relations with all countries, and especially with a neighbor, like Japan.

In Dr. Sun Yat Sen's last speech he advocated cooperation between Japan and China. The Chinese Revolution received sympathetic support from Japan, another reason for friendship.

Since the relations between China and Japan have had such long duration, the recent complications should be capable of solution, "by means of mutual sincerity".

The recent speech of Foreign Minister Hirota in the Diet agrees in spirit with China's policies and

"it is a matter of great rejoicing for us that by dint of mutual efforts Sino-Japanese relations will henceforth have an opportunity to improve as well as to be restored into regular channels".

China wishes to solve all complications between the two countries through pacific means and regular procedure. Through sincerity and righteousness there may be found a rational solution of the fundamental issues between China and Japan.

Respectfully yours,

Willys R. Peek,
Counselor of Legation.

Enclosure:

- 1/ Translation of the speech of the Chinese Minister for Foreign Affairs delivered to the Central Political Council on February 20, 1935.

Original to the Legation, Peiping
Five copies to the Department
Copy to the American Embassy at Tokyo

800
WRP:T

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. Hunt NARS, Date 12-18-75

SOURCE: CENTRAL NEWS AGENCY
February 21, 1935,
Nanking, China.

COPY

WANG CHING-WEI ON SINO-JAPANESE RELATIONS

Nanking, Feb. 20: Speaking before the Central Political Council on February 20 on the subject of Sino-Japanese relations, Mr. Wang Ching-wei, member of the Standing Committee of the said Council and President of the Executive Yuan, commented on Mr. Hirota's speech which was recently delivered in the Japanese Diet, in the following terms:

"The speech delivered by Mr. Hirota, Japanese Foreign Minister, on January 23 before the Japanese Diet concerning Japanese policy towards China has been fully reported by foreign as well as Chinese newspapers. As a matter of fact, important journals in various countries have published numerous comments on it. It is therefore unnecessary for me to repeat it to you here.

"It is my intention today to acquaint you with my personal reactions towards Mr. Hirota's speech. In a way what I am going to say may also be taken as an explanation of our fundamental policy towards Japan.

"In order to modernise China, we must direct our attention to two important prerequisites, namely, 'unification' and 'reconstruction'. We have been handicapped by institutional deficiencies and economic backwardness as well as by the lack of communications and educational facilities. To realize our aims in unification and reconstruction we must have durable peace. But in this modern world where communications

- 2 -

have become so highly developed and where the political and economic inter-relationship among nations has grown so close, our love for peace must be taken in its broadest sense. For besides working for peace in China, we also wish other countries themselves to have peace. Indeed, we particularly wish that in international intercourse, peace may be definitely guaranteed. For this reason, China is willing, under the principles of equality and mutual assistance, to maintain and promote friendly and peaceable relations with any country, not to mention a neighbour like Japan whose geographical, historical, cultural and racial relationship with this country is so closely bound.

"It may be recalled that our late leader Dr. Sun Yat-sen said in the course of a speech which he delivered at Kobe on November 28, 1924, that 'considering the relationship between China and Japan in all respects the peoples of the two countries should work hand in hand and cooperate in the advancement of the welfare of the two countries'. It was Dr. Sun's last speech and is well-remembered by all his followers. It was the basis of his Sino-Japanese policy to which he adhered all his life-time.

"Even from the standpoint of our Revolution, it may also be recalled that, from the days of Chung Hsin Hui through the period of Tung Meng Hui down to the Revolution of 1911, we have received considerable help and sympathy from Japanese friends whether officials or non-officials. These facts are no doubt still within the memory of those who participated in the revolutionary work. Bearing this point in mind, it may

- 3 -

be seen how intimate the relations between China and Japan should be.

"But unfortunately not only no real friendship has been cultivated between China and Japan, but also for the last twenty years unexpected complications have continually arisen between the two countries, and, what is more unfortunate, these complications have become more and more serious and dangerous in nature. In consequence, not only have the relations between the two countries grown worse, but even the whole world has found itself in an atmosphere of insecurity. This must certainly be regarded as a deplorable state of things not only by the two countries concerned but also by the whole world.

"It is true that we are now in the midst of a national crisis of the severest nature, but we are confident that, since the relations between the two countries has had a history of such long duration, the troubles as existing at present can after all be solved by means of mutual sincerity.

"After reading the speech recently delivered by the Japanese Foreign Minister, Mr. Hirota, we are of the opinion that generally it agrees in spirit with what we have hitherto advocated. Now that China and Japan have expressed their common desires, it is a matter of great rejoicing for us that by dint of mutual efforts Sino-Japanese relations will henceforth have an opportunity to improve as well as to be restored into regular channels.

- 4 -

"Now, I wish to emphasize with all frankness and seriousness that we wish to solve all the complications between the two countries with fullness of sincerity and through pacific means as well as regular procedure, so that all mutual suspicions and all speeches and actions, mutually repulsive and detrimental may be gradually eradicated and that the hope of close friendship between the two countries as entertained by the late Party leader, Dr. Sun Yat-sen may be realized.

"In a word, if the people of China and Japan will not cling to the immediate interests nor mind the temporary feelings, but will show each other mutual sincerity and stand for righteousness in order to work for a durable peace between the two countries, then it is quite certain a rational solution of the fundamental issues between the two countries will be obtained. This will be a blessing not only for the two countries and for Eastern Asia, but it will be also the greatest contribution to the peace of the world".

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 28, 1935.

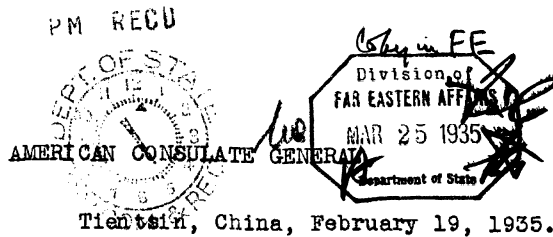
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To note Tientsin's
report of Feb. 1935
in regard to General
Doihara's visit to
Tientsin and to certain
pro-Japanese Chinese
officials at Tientsin.
The telegram referred to
is attached.

See 14.

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

No. D-703



Subject: Visit of Doihara to Tientsin.

CONFIDENTIAL

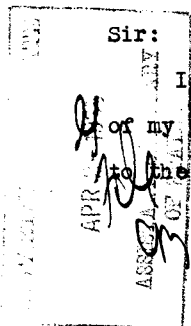
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COPIES SENT TO
O.N.I. AND M.I.D.

The Honorable

The Secretary of State,
Washington.



I have the honor to transmit herewith a copy
of my despatch No. L-874 of to-day's date, addressed
to the Legation, on the above-mentioned subject.

Respectfully yours,

F. P. Lockhart
F. P. Lockhart,
American Consul General.

Enclosure:

1/, To Legation, February 19, 1935.

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RSW:HK

Original and four copies to Department.

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793.94/6930

67-3-1935

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FILED

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

No. L-874

AMERICAN CONSULATE GENERAL

Enclosure No. 1 in Despatch
No. 8-703, Dated Feb. 19, 1935
From the American Consulate General
at Tientsin, China.

Tientsin, China, February 19, 1935.

Subject: Visit of Doihara to Tientsin.

CONFIDENTIAL

The Honorable

Nelson Trusler Johnson,

American Minister,

Peiping.

Sir:

I have the honor to refer to this Consulate General's telegram of February 15, ^{12:00 noon} 12:00 noon, addressed to the Department, in which the recent visit of Major General Doihara to Tientsin is mentioned, and to complement the information there given by the following report.

In discussing General Doihara's visit a well-informed Chinese official in Tientsin told a member of the staff of this Consulate General that he considered the visit to be clothed with considerable significance.

During General Doihara's visit in Tientsin he was, according to the informant, accompanied by one Ch'en Chueh-sheng (陳覺生), the Councillor of the Tientsin Municipal Government, and generally believed to be the "power behind the throne" in

Mayor

- 2 -

Mayor Chang T'ing-no's (張廷譚) administration. This account alleges that Ch'en was born in Japan the son of a Chinese father and a Japanese mother and that he speaks Japanese as his native tongue. Some years ago, when General Doihara was an unknown officer attached in a subordinate capacity to the office of the Japanese Military Attache in Peiping, Ch'en was employed as a Japanese interpreter in the Ministry of Foreign Affairs there. The two became friends at that time. It is hinted that when General Doihara was charged with the difficult task of bringing Pu Yi to Mukden he found Ch'en's services of value. It is stated as a fact that Ch'en was a leader, and perhaps the most important leader, of the so-called plain clothes men (Pien I Tui - 便衣隊) whose activities were responsible for the confusion under the cover of which the hapless Pu Yi was whisked away. It was further stated that Ch'en did not go unrewarded for his services nor was he forgotten by the forces he had befriended. In the late fall of 1934, the informant alleges that the collapse of Yu Hsueh-chung's power in Hopei was imminent and that the hour of the Northern Ch'in Jih P'ai had come. Chang T'ing-no, then a private citizen, began intriguing for the Mayoralty of Tientsin, a lucrative post then held by the honest but unimposing Wang T'ao, a henchman of General Yu's. Chang, himself said to be a
Japanophile,

- 3 -

Japanophile, was acquainted with Ch'en, and knew of his relations with General Doihara. A meeting was arranged, and through Chang and Ch'en, Chairman Yu Hsueh-chung himself was later introduced in auspicious surroundings to General Doihara. Chang T'ing-no became Mayor of Tientsin, and a way was left open for Chairman Yu to make new political affiliations should need later arise.

Ch'en became the Councillor of the new Municipal Government, and the confidant of the Mayor. An official of that Government informed a member of the staff of this Consulate General in confidence that Ch'en's influence in the Mayor's office is paramount, and that the Mayor seldom if ever confers with other advisers. Ch'en was present at the luncheon which General Yu Hsueh-chung gave in honor of General Doihara on February 11, although some months before Ch'en was being sought as the leader of the plain clothes men and on his apprehension would have been dealt with summarily.

The informant commented on the cordial manner in which General Doihara was received in Tientsin. The honor accorded him also, he alleges, was clearly beyond that due his rank, and was such that the Municipal Government would be embarrassed to find means appropriately to honor a full General, if by chance one should visit the city. The official whose views are being detailed here foresees the

time

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

- 4 -

time when the friends of General Doihara will completely dominate the political situation in North China.

Respectfully yours,

F. P. Lockhart,
American Consul General.

800
RSW:HK

Original and two copies to Legation.
In quintuplicate to Department under cover of
despatch No. D-703 of February 19, 1935.

A true copy of
the signed original
JK

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

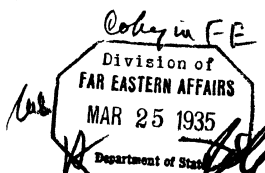
DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

March 28 '35
W. J. H.
To note short
despatch from Shanghai
dated Feb 20, '35 re
"Major-General Doikara
visits Shanghai."

L. M.

No. 9891



AMERICAN CONSULAR SERVICE.

American Consulate General,
Shanghai, China, February 20, 1935.

Subject: Major-General Doihara Visits Shanghai.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

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		In U.S.A.	

ONI, MID

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

Sir:

As stated in this Consulate General's telegram
793.94/6876
No. 73 of February 19, 1935, 4 p.m., I have the honor
to report the arrival of Major-General Kenji Doihara
at Shanghai.

General Doihara, whom THE CHINA PRESS (Chinese independent daily), on February tenth, characterized as "Doihara, Arch-Plotter", former director of the now defunct Special Service Branch of the Kwangtung Army, arrived in Shanghai from Tientsin on February sixteenth. When announcement was made of his proposed trip to Shanghai an unconfirmed Chinese report held that he would shortly be appointed Japanese military attache in Shanghai to succeed General Suzuki. Furthermore, the vernacular press, in commenting on Doihara's announced visit to Shanghai, stated that various Japanese military and civil officials were gathering in Shanghai to exchange views on the Sino-Japanese situation (see despatch No. 9884/3902 to the Department of February 16, 1935). In general, rumors in Chinese circles attribute an ulterior motive

to

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-2-

to his visit in keeping with his reputation of being a fomenter of trouble, but he declares that the present trip has no political significance.

Among others, General Doihara interviewed General Wu Te-chen, Mayor of Greater Shanghai, and General Huang Fu, Chairman of the Peiping Political Readjustment Commission and Minister of the Interior of the National Government.

In asserting that lasting peace in the Far East is "impossible" unless China ceases to regard Japan as her potential enemy and "tries to restore Sino-Japanese relations to normalcy", THE CHINA PRESS of February 18, 1935, quotes General Doihara:

"It is evident that the people of China as a whole are gradually realizing what Japan's real intentions are and are anxious to cooperate with Japan... but we cannot admit that the Government and the Kuomintang have abandoned their previous anti-Japanese policies ... the 'All-Nanking National Goods Buying Society' which is designed to push the boycott against Japanese goods ... there are also anti-Japanese radio broadcasts and the Hankow newspapers are publishing violently anti-Japanese editorials."

In THE SHANGHAI EVENING POST & MERCURY (American) of February 19, 1935, the following is ascribed to General Doihara:

"The Japanese do not feel that the establishment of 'Manchukuo' was an act against Chinese interests, or for their own benefit ... The spirit behind the establishment of 'Manchukuo' was that of the handling of Oriental affairs by Orientals ... It is hoped that the time will soon come when it will be understood in both countries that 'Manchukuo' does not stand for harm to China but for the good of Orientals as a whole..."

and, concluding, the interviewer parallels the careers of the English "Lawrence of Arabia" and the Japanese "Lawrence of 'Manchukuo'" - alluding to the fact that

Doihara

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

-3-

Doihara is given credit for much of the building up of a situation which led at last to the "Manchurian incident".

After a short visit to Nanking, where he plans to interview the leaders of the Nanking Government, reputedly to push the rapprochement between China and Japan, General Doihara will return to Shanghai.

Respectfully yours,

Edwin S. Cunningham
Edwin S. Cunningham,
American Consul General.

800
CSR MB

In Quintuplicate.

Copy to Legation.

Copy to Embassy at Tokyo.

X

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

April 4, 1935.

~~MEM~~
~~MEM~~
~~MEM~~

Tsingtao's confidential report of Feb. 25, 1935, in regard to the Japanese Government's financial aid to the Japanese residents of Shantung.

The report refers to the interest of the Japanese in maintaining a strong foothold in Shantung and points out that this is the true explanation of the Japanese Government's solicitude for its residents as manifested by the establishment, in 1923, of a revolving loan fund of Yen 3,000,000. Loans made by the Japanese Residents' Association from this fund total more than Yen 8,000,000 and are secured almost without exception upon real estate in the province. The Japanese Government is now making some attempt to revise the terms of these loans the majority of which are in default both as to principal and interest.

Note marked paragraphs quoted from the report of the Japanese Residents' Association.

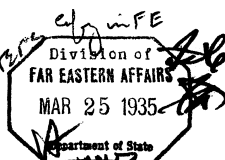
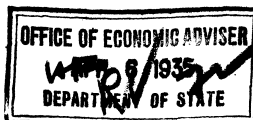
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Department of State letter, August 10, 1972
By Milton D. Quisenberry NARS, Date 12-18-75

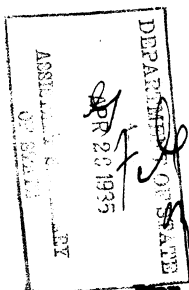
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MAR 23 1935

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JAPANESE GOVERNMENT'S FINANCIAL AID TO JAPANESE
RESIDENTS OF SHANTUNG.

FROM Samuel Sokobin, American Consul.
Samuel Sokobin.

Tsingtao, China.

Date of Completion:
February 25, 1935.

Date of Mailing:
February 25, 1935.

That the Japanese Government considers the Province
of Shantung, China, as having a special political and eco-
nomic significance to the Japanese is a matter of common
knowledge. An interesting example of the extraordinary
concern.....

F/FG.

- 2 -

concern which the Japanese Government shows for the interests of Japanese nationals in Shantung is indicated in a publication recently issued by the Japanese Residents' Association of Tsingtao. Under a report on the activities of that association appears a section which describes the condition of a revolving loan fund of Yen 3,000,000 which the Japanese Government granted the Japanese Residents' Association in 1923. From this fund loans totalling more than Yen 8,000,000 have been made to Japanese in Shantung. At present there are outstanding loans to the total of Yen 2,987,807.86, of which amount 87.46% is secured on real estate. As will be noted from the tables appended, the loans have been made principally in Tsingtao (91.15%), Fangtze, Chang Tien and Poshan (4.44%) and Tsinan, the capital of Shantung Province (4.41%). Fangtze is 106 miles west of Tsingtao on the Tsingtao-Tsinan (Shantung) Railway, while Chang Tien (147 miles) is a junction point for a light railway (25 miles) to Poshan, a coal mining center in Shantung.

PRINCIPAL OF LOAN IN DEFAULT SINCE 1933.

Actually the loan of Yen 3,000,000 was made for a period of ten years and should have been repaid in 1933. Negotiations between the Japanese Government and the local Japanese Residents' Association ensued but no agreement has been reached. Interest in this loan has now been revived by the recent introduction of a bill in the Japanese Diet which relates to loans made by the Japanese Government. Among such loans are those made
to.....

- 3 -

to the Tokyo District following the earthquake of 1923 and to Japanese Residents' Associations in Tsingtao, Tientsin, Tsinan and the Yangtze Valley in China for various purposes. The bill would give the Japanese Government authority to revise the terms of those loans, the principal and interest on which are difficult of repayment under existing conditions.

LOANS SECURED CHIEFLY BY REAL ESTATE.

The tables indicate that of the total of 473 loans outstanding, 421 are secured by real estate. Aside from any natural desire on the part of the Japanese Government or the Japanese Residents' Association to safeguard the fund, the manner in which the Japanese nationals consider these loans, viz., as a means of maintaining their ownership of real estate in Shantung, of rooting themselves in the soil of this province, so to speak, is indicated by the reference at the end of the Association's report, which follows:

"APPLICATION OF LOW RATE INTEREST FUND. Ever since Japan occupied Tsingtao during the World War various kinds of Japanese business enterprises have flourished. Heavy investments have been made along the Shantung Railway, as well as in Tsinan, where a large amount of capital was invested much to the stabilization of the foothold of the Japanese residents in Shantung. Further development of Japanese business in Shantung was progressing satisfactorily when along came the Washington Conference which resulted in Tsingtao being restored suddenly and a great change in conditions occurred. This was a vital blow to the economic life of the Japanese residents.

"In view of these facts the Japanese Government in September, 1923, loaned to the Japanese Residents' Association, Tsingtao, a fund of Yen 3,000,000 for a term of ten years at interest at 4 per cent per annum. The loan was made with the idea of assisting the Japanese residents in Shantung to maintain their economic foothold. The funds have been loaned out in accordance with certain stipulated conditions and total loans now aggregate Yen 8,236,000.

Notwithstanding....

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

- 4 -

"Notwithstanding the above stated blow, the retrocession itself, the depression which followed the retrocession of Tsingtao and the losses sustained by Japanese investments due to repeated civil warfare, thanks to the Japanese Government's loan to the local Residents' Association, the Japanese residents still retain their economic foothold and the immovable property obtained by them during the Japanese administration."

The report just quoted also reveals a sentiment which is to be found repeatedly in Japanese references to Shantung, that the Shantung Agreement of 1922 at the Washington Conference was a distinct blow to Japanese national interests.

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✓
File No. 851
SS/FP

Original and four copies to Department of State,
Copy to Legation, Peiping,
Copy to Legation, Hankow.

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

- 1 -

Japanese Government Loan of Yen 3,000,000 made to Tsing-
tao Japanese Residents' Association Distribution, Se-
curity, etc.

LOANS

<u>Security</u>	<u>No.</u>	<u>Amount</u>	<u>Percentage of Value</u>
Tsingtao	404	Y2,723,251.81	91.15%
Fangtze, Cheng Tien & Poshan	56	132,759.00	4.44%
Tsinan	13	131,797.05	4.41%
	<u>473</u>	<u>Y2,987,807.86</u>	<u>100.00%</u>

TOTAL LOANS

<u>Security</u>	<u>No.</u>	<u>Amount</u>	<u>Percentage of Value</u>
Real Estate	421	Y2,612,172.88	87.40%
Securities	40	173,293.50	5.80%
Merchandise	7	8,541.48	0.28%
Notes	5	194,000.00	6.48%
	<u>473</u>	<u>Y2,987,807.86</u>	<u>100.00%</u>

- 2 -

TSINGTAO

LOANS

<u>Security</u>	<u>No.</u>	<u>Amount</u>	<u>Percentage of Value</u>
Real Estate	359	2,402,805.83	88.23%
Securities	37	150,106.50	5.51%
Merchandise	7	8,341.48	0.69%
Notes	1	162,000.00	5.58%
Total	404	2,723,251.81	100.00%

FANGTZE, CHANG TIEN AND POSHAN

LOANS

<u>Security</u>	<u>No.</u>	<u>Amount</u>	<u>Percentage of Value</u>
Real Estate	50	85,572.00	64.46%
Securities	3	23,187.00	17.56%
Merchandise	---	----	----
Notes	3	24,000.00	18.09%
	56	132,759.00	100.00%

TSINAN

LOANS

<u>Security</u>	<u>No.</u>	<u>Amount</u>	<u>Percentage of Value</u>
Real Estate	12	123,797.05	93.94%
Securities	--	----	----
Merchandise	---	----	----
Notes	1	8,000.00	6.06%
	13	131,797.05	100.00%

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

DOCUMENT FILE

NOTE

SEE 893.01-Manchuria/1238 FOR #- (#54 to Legn)

FROM Mukden (Ballantine) DATED Feb. 18, 1935.
TO NAME 1-1127 ...

REGARDING:

Recent Politico-Military Developments: Summary of -, presaging further fighting in the near future. Turko-Tartar Convention, anti-Soviet in tone, was supported by "Manchukuo" officials.

bo

793.94/6933
6933

DECLASSIFIED: E.O. 11652, 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 893.515/485 FOR MEMORANDUM

State Department
Far Eastern Div.

FROM (Hornbeck) DATED Feb. 18, 1935.
TO NAME 1-1127 ...

REGARDING: China-Japan Rapprochement and Silver.

Memorandum on the-, the AP story of the NEW YORK TIMES of
Feb. 16, written by Abend, with the statements of fact
essentially correct.

FRG.

793.94/ 6934
6934

DECLASSIFIED: E.O. 11652, 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 893.61321/30 FOR #9905

FROM Shanghai (Cunningham) DATED Feb. 26, 1935.
TO NAME 1-1127 ...

REGARDING:

Copy of proposed draft agreement providing for close cooperation in the cotton industry, and the setting up of a Cotton Improvement Commission. Draft received from Mr. T.V. Soong, former Minister of Finance.

793.94/6935
6935

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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/77 FOR Disp.#9920

FROM Shanghai (Cunningham) DATED Mar.4,1935
//~~7~~//// NAME 1-1127 ***

REGARDING: Relations between China and Japan: Gives important incidents in connection with -, during past month.

fpg

793.94/ 6936
6936

793.94

Relations with Japan:

Deportation of Chinese from Japan: At various dates during the month under review Chinese deportees continued to arrive in Shanghai. In view, however, of the overshadowing importance of a possible Sino-Japanese rapprochement, the Shanghai press made but scant mention of these incidents.

Visit of Major-General Doihara: One of the most outstanding events in Sino-Japanese relations was the visit of Major-General K. Doihara to Shanghai and subsequently to Nanking. Although he took occasion to deny any political significance to his visit, he took the opportunity to state that cooperation between the two countries could be effected if China would only cease its anti-Japanese activities, implying that the Nanking Government is ostensibly friendly to Japan but surreptitiously fostering provocative incidents. (See despatch No. 8329 to the Legation of February 20, 1935.) In a confidential interview with the New York Times correspond-

ent

-3-

ent (telegram No. 88 to the Legation of February 26, 1935) Doihara expressed, however, Japan's preparedness to take strong action unless China acceded to Japan's "suggestions" of cooperation.

Dr. Wang Chung-hui Visits Japan: In the meantime Dr. Wang Chung-hui (王寵惠), Chinese member of the Permanent Court of International Justice, while en route to his post in Belgium, visited for several weeks in Japan. His interviews with Japanese leaders, civil and military, were given the widest publicity as having a very pertinent bearing on the progress of a Sino-Japanese rapprochement. Dr. Wang continued to express the sincerity of the Chinese Government in desiring cordial cooperation with Japan but was generally answered by a Japanese insistence on the fact that anti-Japanese agitation was too prevalent to permit this cooperation becoming effective (see despatch No. 8348 to Legation of February 27, 1935).

Current Rumors as to Rapprochement: The press, both vernacular and English language, devoted considerable space to rumors and reports purporting to make the progress of Sino-Japanese negotiations towards amicable cooperation (see despatches Nos. 8296 and 8317 to the Legation of February 9 and 16, 1935, respectively). On March 1, 1935, THE NORTH CHINA DAILY NEWS (British) published the outlines of a Japanese proposal for a rapprochement which, though denied by a spokesman for the Japanese Legation, carried some atmosphere of probability (see telegram No. 97 to Legation of March 1, 1935). Previous to this confidential sources of

information

-4-

information had disclosed a reputed scheme for Sino-Japanese cooperation in the cotton industry (see despatch No. 8337 of February 26, 1935, to the Legation).

Japanese in Shanghai: In the closing days of the month there was considerable apprehension among the Chinese in Chapei and Hongkew of a Japanese "putsch" and wild rumors circulated as to the imminency of Japanese occupation of that area and the commencement of hostilities (telegram No. 95 to Legation of March 1, 1935). During the month the Japanese residents perfected their organization (see despatch No. 8306 to Legation of February 11, 1935) and in the latter part of the month, at a regular meeting of their association, voiced a demand for greater representation on the Municipal Council, one source of information stating that the Japanese were asking for four members.

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

DOCUMENT FILE

NOTE

SEE 893.515/476 FOR Despatch #3385

FROM China (Gauss) DATED Feb. 27, 1935
/19/ NAME 1-1127 ...

REGARDING: Economic "cooperation" between China and Japan:
Memorandum of conversation between Minister
Johnson and Chen Jung-po, Minister of Industries,
in regard to this subject.

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793.946937
6/37

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

DOCUMENT FILE

NOTE

SEE 893.114 Narcotics/1025 FOR letter

FROM () DATED March 9, 1935

TO Treasury Dept.

NAME

1-1127

...

REGARDING:

Recent seizures by the Peiping police of drugs in the hands of Japanese and Korean subjects. Informs that reports of - are detailed and irrefutable and that the Japanese military authorities have forcibly intervened to protect their nationals who are involved in these cases.

jsm

793.946938
6938

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

DOCUMENT FILE

NOTE

SEE 500. A 15 A 4 Gen. Comm.(Arms)/157 FOR Despatch #1280

FROM Great Britain (Atherton) DATED March 12, 1935
TO NAME 1-1127 ***

REGARDING: Conversation with Sir John Simon: British interest in the
Far Eastern situation.

dg

793.94/6939
6939

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 500.A 4d/296 Confidential File FOR _____

FROM _____ (_____) DATED Mar. 20, 1935.
TO Stimson, Henry L. NAME 1-1127 470

REGARDING:

Relations between China and Japan. Encloses copy of letter of March 15, to Lord Lothian relative to - and the Nine Power Treaty.

793.94/6940
6940

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

DOCUMENT FILE

NOTE

SEE 893.515/474 Confidential File FOR Letter
FROM Treasury Dept. () DATED March 21, 1935.
170111 NAME 1-1127

REGARDING: Cooperation between China and Japan: Economic issue
put up to China by Japan at present time.
Memorandum from Treasury Attache in China, on this
subject.

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793.94/6941

Confidential File

DECLASSIFIED: E.O. 11652, 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 741.62/64 Confidential File FOR Telegram #148, 7 pm Confidential File

FROM Great Britain (Bingham) DATED March 28, 1935.
TO NAME 1-1127 ...

REGARDING: Relations between Great Britain and Germany. Sir Warren Fisher believes that the only way to reduce the tension in the Far East is by direct negotiations between Japan and China.

with

793.94/6942

6942

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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 16, 1935.

~~MSM~~
~~ROM~~
~~MLH~~

Nanking's unnumbered despatch of March 2, 1935, transmitting a copy of a despatch to the Legation, in regard to Sino-Japanese relations.

The despatch refers to an article appearing in the NORTH CHINA DAILY NEWS in regard to specific proposals alleged to have been made by the Japanese to effect a rapprochement with China which were, however, denied by a spokesman of the Japanese Legation.

In this connection Counselor Peck reports that during the course of a conversation with Mr. Y. Suma, the Nanking representative of the Japanese Legation, he was informed that while a more friendly atmosphere prevails between Chinese and Japanese officials, the Japanese Government derives little satisfaction from such lip service to the cause of reconciliation and that it desires to see some concrete action on the part of the Chinese authorities. Mr. Suma stated that no such action had been taken and that, on the contrary, anti-Japanese activities and propaganda continued to be fostered

-2-

in various parts of China, particularly at Hankow, and that the Japanese were somewhat "fed up."

In regard to the rumored intention of the Japanese Minister for Foreign Affairs to visit China in April, 1935, Mr. Suma intimated that that project was very nebulous and gave the impression that such a visit will not be made unless there is ample evidence that it will coincide with some notable development in "Chinese-Japanese rapprochement."

Note included passages.

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



LEGATION OF THE
UNITED STATES OF AMERICA

Nanking Office, *W.F.E.*
March 2, 1935.

W.F.E.
Division of
FAR EASTERN AFFAIRS
APR 8 - 1935
Department of State

Subject: Sino-Japanese Relations.

For Distribution-Check		Yes		No	
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ONE MID

793.94
The Honorable

The Secretary of State,
Washington.

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

PM RECD
APR - 9 35
Sir:

1/

I have the honor to enclose herewith a copy of my
despatch to the American Legation at Peiping, Number
L-634 Diplomatic of March 2, 1935, on the subject in-
dicated above.

Respectfully yours,

Willis R. Peck.
Willis R. Peck,
Counselor of Legation.

FILED
APR 10 1935

Enclosure:
1/ As described.

Original and four copies to the Department.

WRP:HC

793.94/6943

F/FG.

I-634 Diplomatic

Nanking Office,
March 2, 1935.

Subject: Sino-Japanese Relations.

The Honorable

Nelson Trusler Johnson,
American Minister,
Peiping.

Sir:

I have the honor to refer to a two-column article which appeared on page 9 of the NORTH CHINA DAILY NEWS on March 1, entitled "The Japanese Proposals for Reapprochement", which purported to give definite information regarding terms of settlement of outstanding difficulties proposed by Japan to China. The summary of these terms as given in this article were:

"Complete elimination of anti-Japanese propaganda from all text-books used in Chinese schools;

"The engagement of Japanese advisers by the National Economic Council;

"Financial arrangements for the funding of all or part of the unrecognized Japanese loans to China, such as the Nishihara loans;

"Substitution of Japanese for the German military advisers and instructors now employed by the Nanking Government;

"And, in return, a loan to be floated in Japan to assist China in her present urgent financial necessities."

The same article printed what amounted to a complete denial of all these alleged "terms" given to the newspaper by a "spokesman of the Japanese Legation".

-2-

I called on Mr. Y. Suma, Nanking representative of the Japanese Legation, on the afternoon of March 1. At the time of my call I had not seen the article quoted above. I had not called on Mr. Suma to discuss Sino-Japanese relations, but he seemed anxious to take the opportunity to make some remarks on the subject. The gist of what he said is as follows:

It is undeniable that Japanese and Chinese leaders have become more friendly of late; the attitude of the Chinese Government toward an attempt to solve the difficulties between the two countries has become definitely more favorable, as indicated, for example, by the speech of Dr. Wang Ching-wei, Minister for Foreign Affairs, which was made to the Central Political Council on February 20 and published on the following day. However, the Japanese Government derives very little satisfaction from this lip service to the cause of reconciliation. What it desires to see is some concrete action on the part of the Chinese authorities, and absolutely no action of this sort has been taken, nor has any definite understanding been reached between the two Governments in regard to any one of the contentious issues.

On the contrary, Japan's chief cause of grievance, anti-Japanese activities and propaganda, is as outstanding as ever. Reports from Japanese consular officers in other parts of China, especially at Hankow, are to the effect that anti-Japanese sentiment is being carefully fostered.

Mr. Suma said that at times the Japanese are apt to feel "fed up" with the endless complexities of the Chinese internal situation. As an instance of how this internal confusion becomes involved in China's foreign relations,

he

-3-

he referred to a diatribe issued by Hu Han-min at Hongkong and published there on February 28, in which he accused the Nanking Government of selling out China to Japan and of being willing to have China become a protectorate of Japan. Mr. Suma said that he had been informed of a report circulating among Chinese that this attack by Hu Han-min on Dr. Wang Ching-wei, Minister for Foreign Affairs, had actually been instigated by Japanese; the idea being that Japanese would proceed to any lengths in order to stir up internal dissension among the Chinese, even to the lengths of inciting opposition to themselves. Mr. Suma said that he had heard, also, that some of the leaders at Canton claimed that it is the Canton faction, and not the Nanking regime, which really can count upon Japan's support. Mr. Suma felt that the way in which international issues between China and Japan were involved in internal factional disputes made it very difficult for Japan and China to get together.

I told Mr. Suma, incidentally, that I had heard from Chinese sources, not in the Foreign Office, that the Chinese Government had received definite information that the Japanese Foreign Minister intended to come to China in April, 1935. I told Mr. Suma that if he felt he could make any comment on this report I would be glad to hear it, but I did not wish to be impertinent in prying into the subject.

Mr. Suma discoursed at some length on the rumored intention of Mr. Hirota to come to China. The net result of what he said was to leave me with the impression that there is a definite possibility that Mr. Hirota will come to China, although he has made no statement which would justify such a belief.

Mr.

-4-

Mr. Suma explained that when he was in Tokyo in December, 1934, the Chinese Minister there had asked if there was any truth in the report that Mr. Hirota intended to pay a visit to China and that Mr. Suma had subsequently mentioned the subject in conversation with Mr. Hirota, himself. Mr. Suma said that the Foreign Minister had told him positively that he had never mentioned to any foreign diplomat any intention on his part to pay a visit to China. Mr. Suma thought that perhaps all the talk about this rumored intention had arisen from the few remarks exchanged between himself and the Chinese Minister, General Chiang Tso-pin, in Tokyo. Mr. Suma said that he had called on Dr. Wang Ching-wei on January 21, or thereabouts, following his return from Japan and Dr. Wang had mentioned to him a report he had received from the Chinese Minister in Tokyo regarding Mr. Hirota's visit and Mr. Suma told Dr. Wang what he knew about the matter. (Dr. Wang Ching-wei informed me on January 28 that he had received a report from the Chinese Minister in Tokyo that Mr. Hirota had informed him of his intention to come to China; see my telegram January 28, 3 p.m.)

My impression is that consideration has been given in Japanese circles to the idea of a visit to China by the Minister for Foreign Affairs but that such a visit will not be paid unless there is ample evidence that it will coincide with some notable development in Chinese-Japanese rapprochement.

Mr. Suma took considerable pains to explain to me that Mr. Ariyoshi, the Japanese Minister to China, would probably

return

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-

return to Japan in April, but that this is a routine
procedure.

Respectfully yours,

Willys R. Peek,
Counselor of Legation.

Original to the Legation.
Five copies to the Department of State.
One copy to the Embassy in Tokyo.

WRP:HC

A true copy of
the signed orig-
inal. *HC*

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 15, 1935.

~~END~~
~~MEM~~
~~RCM~~
~~LMH~~
~~SRH~~

Peiping's despatch No. 3420 of March 7, 1935, transmitting a despatch from Nanking to which is attached a memorandum of a conversation between the Minister and Mr. Tang Yu-jen, Administrative Vice Minister of Foreign Affairs, in regard to various Sino-Japanese questions.

The Vice Minister informed Minister Johnson that China and Japan were in agreement that the question of Manchuria should not be discussed at the present time because any settlement was impossible and that it was felt the economic field alone could be profitably considered. The Vice Minister stated that there was evidence of a change of attitude on the part of the Japanese who appeared to be desirous of finding solutions by negotiation rather than by the use of force. The Vice Minister ascribed this change firstly to the fact that the Japanese army was losing prestige in Japan, resulting in a corresponding increase in the influence of the civil element in the government, and that the army, sensing this change, was anxious to effect some friendly settlement with China with a view to maintaining its dominant

-2-

position. Secondly it was felt that the year 1936 would be a critical one in Japan's foreign relations and that, therefore, Japan desired to come to some understanding with China before that time.

Turning to the economic field the Vice Minister stated that there were two pressing questions. One concerned remittances made by Chinese settlers in Manchuria which Japan desired to offset by the purchase of cotton from North China, and the other related to the balance of trade between the two countries.

In regard to the ability of the Japanese to manufacture and sell goods so cheaply outside of Japan, the Vice Minister stated that after a study of this question he had reached the conclusion that this was due, firstly to the "rationalization" of Japanese industry and secondly, to the fact that Japan was avoiding American methods of mass production and was dispersing Japanese industry throughout the country.

~~Note marked passages.~~

105
EFS



LEGATION OF THE
UNITED STATES OF AMERICA

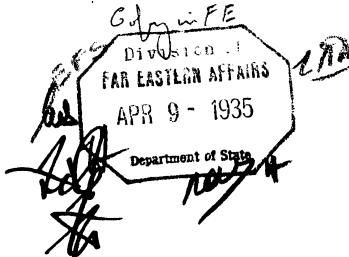
No. 3420 Peiping, March 7, 1935.
Subject: Sino-Japanese Issues.

793.94

PM HCU



APR - 8 35



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793.94/6944

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

Sir:

I have the honor to refer to my telegram No. 42/6887 of February 27, 3 p.m., sent from Nanking, reporting comments of the Administrative Vice Minister of Foreign Affairs, Mr. Tang Yu-jen, with regard to Sino-Japanese economic relations, and to enclose a copy of despatch No. 632 of February 28, 1935, addressed to the Legation by the Counselor at Nanking forwarding a copy of a memorandum of the conversation which I had with the Vice Minister of Foreign Affairs on which this

FILED
APR 29 1935

F/B

- 2 -

this telegram was based.

Respectfully yours,



Nelson Trusler Johnson.

Enclosure:

- 1/ Copy of despatch No. 632,
February 28, 1935, from
Nanking to the Legation.

710

LES/rd

Original and 3 copies to the Department.

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

L-632 Diplomatic

ENCLOSURE No. ¹
TO DESPATCH No. 3420

Nanking Office,
February 28, 1935.

CONFIDENTIAL

Subject: Sino-Japanese Issues: Conversation
between Minister Johnson and Mr.
Tang Yu-jen, Vice Minister of Foreign
Affairs.

The Honorable

Nelson Trusler Johnson,
American Minister,
Peiping.

Sir :

1/

I have the honor to refer to the Minister's telegram (Nanking Number 41) of February 27, 12 noon, and to enclose a memorandum of a conversation between the American Minister and the Chinese Administrative Vice Minister of Foreign Affairs on February 23, 1935, on the above subject.

The conversation ensued during the course of a call upon the Minister made by Mr. Tang Yu-jen to return Mr. Johnson's courtesy call upon Mr. Tang at the Foreign Office on February 20, 1935. In addition to the subject matter, the conversation is interesting when viewed as a development of remarks made on the occasion of Mr. Johnson's call at the Ministry of Foreign Affairs. While little was said on that first occasion, since Mr. Johnson had called on Mr. Tang, among other officials,

principally

- 2 -

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1
principally for the purpose of announcing his return to China from leave of absence in the United States, Mr. Tang, without mentioning Japan, indicated toward the close of a general conversation that the solution of China's problems arising from the political and economic situation, including the financial distress caused by the American silver program, lay along the lines of international economic cooperation. The second conversation, reported in the enclosed memorandum, may be taken as an extended explanation of the previous statement of Mr. Tang's; and at least once during the course of Mr. Tang's remarks on February 23 it was possible to entertain the impression that he was on the point of asking whether Mr. Johnson desired to propose some form of Sino-American economic cooperation which the Chinese might adopt before force majeure should lead them to fall in with Japanese plans.

In this connection it may also be of interest to recall the statement in my confidential despatch No. L-577 Diplomatic of January 23, 1935, to the effect that, according to an official of the Ministry of Foreign Affairs, Mr. Tang Yu-jen was then spending about three days a week in Shanghai in conversation with Japanese officials and that, since he reported orally to the Acting Minister of Foreign Affairs, the rest of the Ministry was without record of Mr. Tang's activities and could only conjecture what he was about. Whether or not Mr. Tang may have recently deserved the opprobrium of

"Japanese"

- 3 -

1
1
"Japanese traitor" which has sometimes been applied to him, he is the only official of the Chinese Government on whom the American Minister has called during the latter's present visit to Nanking who has offered to discuss the Sino-Japanese situation.

Respectfully yours,

Willys R. Peek,
Counselor of Legation.

Enclosure:

1/ Memorandum, as stated.

Original and four copies to Legation
Copy to Embassy, Tokyo.

800.

GAjr:MM

A true copy of
the signed orig-
inal

7mmmm

Sino-Japanese Relations

Memorandum of Conversation

Nanking, February 23, 1935.

1
1
Conversation with: Mr. Tang Yu-jen, Vice Minister
for Foreign Affairs.

Present: Mr. Atcheson,
Mr. Tung I King of the
Asiatic Bureau, acting
as interpreter.

Mr. Tang Yu-jen stated that he wished to outline the present situation between China and Japan. He said that by tacit consent both countries were in agreement that the question of Manchuria should not be discussed now because any settlement was impossible. They must await another time when feeling in both countries was better. He remarked that it was impossible for the two countries to discuss political questions because Japan looked upon any effort of China to reform its army or its air service as being directed against Japan. Only in the economic field was it possible for any discussions between the two countries and the Japanese military were very anxious to bring about some understanding in this field. In this regard there was evidence of a change of attitude on the part of the Japanese; a change from the desire to use coercion to a desire to find solutions by negotiation.

I asked

- 2 -

I asked Mr. Tang if he had reached any conclusion as to the reason for such a change. Mr. Tang stated that in the first place the army was losing a certain amount of prestige in Japan itself resulting in increased influence on the part of the civil side of government, and that the army, seeing this change in the home attitude, was anxious to accomplish some friendly settlement with China for the purpose of maintaining its dominant position in Japanese home politics. Furthermore, the year 1936 promised to produce a number of situations requiring discussions between Japan and Europe and America due to the fact that in March, 1936, Japan's separation from the League would become effective and in December, 1936, Japan's denunciation of the Naval Treaty would become effective and, therefore, Japanese statesmen were anxious to make as much progress as possible in working out a settlement of their Chinese affairs before that time.

It was realized by both sides that for China to insist upon a settlement of the Manchurian affair would precipitate a political crisis in Japan while if Japan insisted that China accept "Manchukuo" and all that Japan had done in that area the Chinese Government would collapse. Therefore, this question must be set aside for the moment.

The

- 3 -

The economic field thus offered some opportunity for mutual discussion with benefit to both. Mr. Tang stated that two questions in the economic field were pressing. On the one hand there was the question of Chinese remittances from Manchuria to China. Japan had invested over two hundred millions of Yen in Manchuria and Chinese living in Manchuria were remitting wages and profits from the sale of their products to their homes in Shantung in North China. It was estimated that these remittances amounted to about one hundred fifty million dollars. Japan is very anxious to offset this export of capital from Manchuria and is proposing to accomplish this by purchasing that value of cotton from North China. The other question related to the balance of trade between China and Japan. Mr. Tang stated that Japan's exports to China exceeded Chinese exports to Japan. He assented to my suggestion that the loss of Manchuria and the subsequent loss of the Manchurian bean trade to Japan as well as the loss of Manchuria as a market for Chinese cotton piece goods manufactured in Shanghai, Tientsin and Tsingtao accounted to a large extent for this unbalanced situation. Furthermore, he also stated that Japanese cotton mills in Shanghai controlled by the Japanese cotton industry in Japan were profiting at the expense of the Chinese cotton mills by shipping cotton goods to Japan for

trans-shipment

- 4 -

trans-shipment to Manchuria as Japanese products. They must find some way whereby trade between the two countries could be increased but, at the same time, he said that it would be necessary for China to put certain restrictions on Japanese imports into China for there could be no solution to the problem if the goods exported by Japan to China were the same as goods already manufactured in China itself. Mr. Tang stated that of course any arrangement which they discussed with Japan, particularly in reference to the increased use by Japan of Chinese cotton, must reflect adversely upon trade between Japan and the United States. He stated that it was their hope that whatever arrangement might be reached, as little damage to American trade would result as possible. He stated that he would be glad to keep us informed of any progress in such discussions. He hoped in view of the known interest in the United States in regard to reciprocal trade understandings that some common basis for the exchange of information in this regard might be established.

In reply to my inquiry as to what conclusions he might have arrived at in regard to the ability of Japanese manufacturers to make and sell goods so cheaply outside of Japan, Mr. Tang stated that he had made a study of this question and that it was his observation that with the exception of silk

- 5 -

silk, shipping and forestry, which were directly subsidized by the Japanese Government, no subsidies were being paid to Japanese industries and yet these industries were able to operate at a profit. It was his conclusion that there were two reasons why Japanese industry was able to produce and sell goods so cheaply. One reason was due to the rationalization of Japanese industry. The other reason is to be found in the fact that Japan was avoiding the methods of mass production used in the United States which tended to concentrate labor in special areas and was dispersing Japanese industry throughout the country in the villages where woman and child labor was available in small factories and capable of being fed and taken care of in their homes at very small cost.

As regards rationalization, Mr. Tang cited two examples. He pointed out that Japanese-made bicycles could be sold in Germany more cheaply than German-made bicycles for the reason that Japanese bicycle makers had taken advantage of the fact that discarded boiler tubing was of a size suitable for the making of bicycle frames and were using this tubing for that purpose. The other example was silk stockings. He said that Japanese were buying up discarded hose from the United States and remaking the hose. Mr. Tang spoke at some length of the difficulties inherent in the whole problem of finding some way to increase Sino-Japanese trade without doing material damage to Chinese industry.

NTJ:MM

Nelson Trusler Johnson,
American Minister.

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

April 12, 1935.

~~MSM~~
~~RCM~~
~~MMH~~

Peiping's despatch No. 3424 of March 8, 1935, transmitting a despatch from Nanking to the Legation, in regard to certain remarks made by a well-informed Chinese to an officer of the Consulate General concerning Sino-Japanese relations.

The informant in question stated that he believes the financial embarrassment of the Chinese Government is so great that the Government will be obliged to accept aid from Japanese sources, if it is offered; that the Japanese will undoubtedly insist on some indication that China has abandoned reliance on the Occident in favor of Japan before extending such aid; but that China could still be extricated from this predicament, if the United States and Great Britain would lend assistance at the present time. He added that he felt positive no formal agreement had been reached between China and Japan. Note marked passages.

No action required.

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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. Trusler NARS, Date 12-18-75



LEGATION OF THE
UNITED STATES OF AMERICA

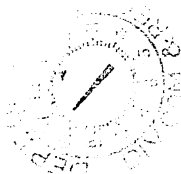
No. 3424

Peiping, March 8, 1935.

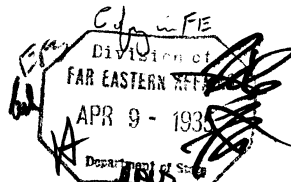
Subject: Sino-Japanese Issues.

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The Honorable

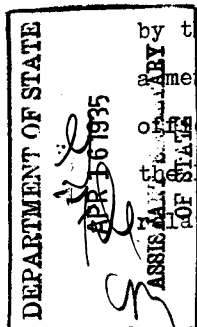
The Secretary of State,

Washington, D. C.

Sir:

FILED
APR 13 1935

1/ I have the honor to enclose a copy of despatch
No. 638 of March 5, 1935, addressed to the Legation
by the Counselor at Nanking, which forwards a copy of
a memorandum of a conversation between a Chinese
official and a member of the staff of the office of
the Legation at Nanking with regard to Sino-Japanese
relations.



Respectfully yours,

Nelson Trusler Johnson

Nelson Trusler Johnson.

Enclosure:

F/B

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

- 2 -

Enclosure:

- 1/ Copy of despatch No. 638,
March 5, 1935, from Nanking
to the Legation.

710

LES/rd

Original and 4 copies to the Department.

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

1-638 Diplomatic

ENCLOSURE No.
TO DESPATCH No.
Nanking Office,
March 5, 1935. 3424

CONFIDENTIAL

Subject: Sino-Japanese Relations.

The Honorable

Nelson Trusler Johnson,
American Minister,
Peiping.

Sir:

1/ I have the honor to enclose a memorandum of a conversation which took place on March 4, 1935, between Second Secretary Atcheson and an American-educated Chinese official.

The Chinese informant is in a position to form an accurate impression of the trend of Sino-Japanese relations and I believe that he was entirely honest and frank in the views he expressed to Mr. Atcheson. His appraisal of those relations coincides with views widely held at present.

The Legation will note that the informant believes that the financial embarrassment of the Chinese Government is so desperate that the Government will be obliged to accept aid from Japanese sources, if it is offered; that the Japanese will insist on some indication that China has abandoned reliance on the Occident in favor of trusting to Japan, before extending such aid; and that China could still be extricated from this predicament, if the United States and Great Britain would lend assistance at the present time, since he feels positive that no formal agreement has been come to between

the

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

-2-

the Chinese and Japanese Governments.

Respectfully yours,

Willys R. Peek,
Counselor of Legation.

Enclosure!

1/ Memorandum of conversation.

Original and five copies to Legation, Peiping.
Copy to Embassy, Tokyo.
Copy to Consulate General, Tientsin.

800

WRP:HC

A true copy of
the signed orig-
inal. *HC*

CONFIDENTIAL

MEMORANDUM OF CONVERSATION

Nanking, China,
March 5, 1935.

Subject: Sino-Japanese Issues.

A. Chinese official.

Mr. Atcheson.

(The informant is a friend of the officer's of some years standing; his remarks, of which the following is the substance, grew out of a general conversation.)

The informant stated that it looked as if the Japanese moshi, moshi ("hello, hello") would be heard very frequently in Nanking and other places in China very soon, unless it was true that Great Britain, as indicated in the press, intended to step in to assist China in her present financial difficulties. He said he thought some assistance from Great Britain and the United States in this respect would not be too late, even at this juncture, because he was sure that no actual agreement had been reached between the Chinese and Japanese Governments. In effect, what the Japanese had done was to say to General Chiang Kai-shek something like this: "You say that you desire friendship and cooperation with Japan and yet you build up your army and air force and start chemical and steel factories; you employ Italian aviation instructors and purchase airplanes from the United States and obtain advisers from the League of Nations. If you were really sincere you would not do these things; you would, instead, buy Japanese planes and employ Japanese military and civil advisers in your Government. You are having great difficulties financially;

YOUR

-2-

your American and British and League friends do not seem to render you much assistance in this matter. Japan is willing to do so, under certain conditions. Those conditions are simple - Japan wants some evidence of your sincerity in your expressed desire to be friendly and to cooperate. The employment of Japanese advisers and the settlement of a few Japanese claims will be marks of your sincerity."

The informant stated that China's financial condition at present looked quite hopeless and he was afraid that China must accept what aid it could, from whatever source. He said that in this connection one of the Japanese "talking points" was the American silver program, and the Japanese offered the Chinese some kind of financial assistance which would counteract the evil effects of the American policy with respect to currency.

The informant, who had recently returned from a journey to North China, stated that all indications were that Nanking was now, or was rapidly becoming, the center of Japanese activity. In this connection he stated that General Huang Fu would definitely not return to North China and would come to Nanking in about one month's time and thereupon formally take up his new post as Minister of the Interior. General Huang's delay in being inducted into office, the informant stated, had not been due to any question relating to North China or the Sino-Japanese situation in general, but rather to considerations of Chinese politics. Dr. Kan Kai-kuang, who until recently had been Acting Minister of the Interior for some two and one-half years, exercised such control over the Ministry that General Huang feared that he himself would not be able to administer it smoothly or to gather about him in the Ministry his own

friends

-3-

friends and appointees. This situation had been solved by the recent appointment of Dr. Kan to be Director of Political Affairs of the Wuchang Field Headquarters. In other words, General Chiang Kai-shek had given Dr. Kan a post of similar importance to that which he had held, and at the same time he was utilizing Dr. Kan's administrative ability in the organization of the Generalissimo's new headquarters along modern and efficient administrative lines, and by this stroke General Chiang was also maintaining a strong link with Dr. Wang Ching-wei, President of the Executive Yuan and Acting Minister of Foreign Affairs, since Dr. Kan was a close friend and adherent of Dr. Wang upon whom Dr. Wang greatly depended.

GAjr:HC

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

April 15, 1935.

~~MSM~~
~~MDH~~

Shanghai's No. 9925 of March 6, 1935, enclosing newspaper clippings from the NORTH CHINA DAILY NEWS in regard to alleged Japanese proposals for rapprochement with China.

The items in question after setting forth the alleged proposals quote a spokesman of the Japanese Legation at Shanghai as denying that any definite terms or conditions have been proposed.

Shanghai's despatch adds that a later issue of the same paper carried a further elaboration of the Japanese denial while admitting that negotiations for the determination of a fundamental policy have been held. The Japanese Minister for Foreign Affairs is quoted to the effect that such negotiations have been and will continue to be conducted with Nanking rather than with local administrations. The Japanese Foreign Minister is also quoted as stating that relations between China and Japan have improved since General Chiang and other leaders of the Nanking Government expressed a desire to settle all outstanding issues between the two countries.

EFS

NO. 9925

AMERICAN CONSULATE GENERAL,

Shanghai, China, March 6, 1935.

SUBJECT: Alleged Japanese Proposals
for Rapprochement with China.

THE HONORABLE

THE SECRETARY OF

WASHINGTON.

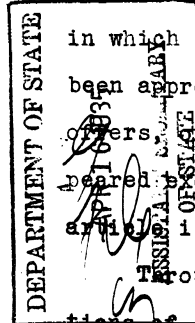
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In USA		✓	

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O.N.I. AND M.I.F.

SIR:

I have the honor to refer to this Consulate General's telegram No. 97 of March 1, 6 p.m., transmitting excerpts from and the gist of a lengthy article appearing in THE NORTH CHINA DAILY NEWS (British) of March 1, 1935, in which it is alleged that the Chinese Government had been approached by Japan with certain very definite offers rather "terms", of rapprochement, which appeared exclusively in THE NORTH CHINA DAILY NEWS. The article is herewith enclosed.

Throughout preceding months, inspired by conversations of Japanese in China and by visits of certain Chinese to Japan (vide Dr. Wang Chung-hui's sojourn in Japan), there have been numerous rumors of proposed plans of cooperation between China and Japan, some purely economic, some financial, and others political. The present reported proposals combine the various features



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-2-

2/ features previously reported and would also appear to be part and parcel of a very definite program, of a plan to realize the "Amau Statement" of exclusive domination of China by Japan. It is to be noted that the spokesman of the Japanese Legation at Shanghai was quick to deny the reported advancement of this very definite plan of cooperation and that the Assistant Military Attache at Shanghai was equally ready in denial of demands by the Japanese military upon the Chinese. The same issue of THE NORTH CHINA DAILY NEWS carried a brief editorial, a copy of which is herewith transmitted, commenting rather favorably on the "frankness" with which the Japanese Legation has handled the problem of speculative rumor anent Sino-Japanese relations, patently a Sisyphean labor at this time.

The issue of THE NORTH CHINA DAILY NEWS of March 2, 1935, carried a further elaboration of the Japanese denial, but rather tellingly admitted that negotiations for the determination of fundamental policy had been held, looking toward a re-orientation of Sino-Japanese relations. This elaboration, emanating from Tokyo, disclosed that present and undoubtedly future negotiations will be with the Nanking authorities rather than with local Chinese administrations (i.e., the Tangku Truce), Mr. K. Hirota, Japanese Minister of Foreign Affairs stating:

"So

-3-

"So far, we have been negotiating with the Nanking Government alone. If we had not done that, no conversations could have been conducted with China. All foreign powers have negotiated with Nanking and Japan does not intend to make an exception by negotiating with local administrations."

which does not appear to follow the facts if the Chahar and Outer Mongolian (north of Lake Puir Noir) incidents are not to be overlooked (claimed by the Japanese and "Manchukuo" authorities to be merely "local" affairs).

Continuing, Mr. Hirota is quoted:

"The relations between China and Japan have taken a favorable turn since General Chiang Kai-shek and other leaders of the Nanking Government expressed their desire to settle all outstanding issues between the two countries."

and as far as he knew the Nanking Government was not inclined to give Japan any special rights and privileges.

Of more than casual interest is his further declaration that:

"he will soon approach the Southwest authorities with a view to making them appreciate Japan's real intentions....The Chinese boycott of Japanese goods is weakening in the Yangtze valley but is steadily growing worse in South China."

Perhaps this will explain the travel of Major-General Doihara to Canton subsequent to his visit to Shanghai and Nanking - to "suggest" in the characteristic manner of the Japanese military that certain lines of conduct should or should not be pursued.

Respectfully yours,

Edwin S. Cunningham
Edwin S. Cunningham,
American Consul General.

Enclosures:

- 1/- Article from THE NORTH CHINA DAILY NEWS (British) of March 1, 1935.
- 2/- Editorial from THE NORTH CHINA DAILY NEWS (British) of March 1, 1935.

800

CSR:JIM

In quintuplicate

Copy to Legation

Copy to Embassy at Tokyo

Enclosure No. 1 to despatch No. 9925 of Edwin S. Cunningham, American Consul General at Shanghai, China, dated March 6, 1935, on the subject: "Alleged Japanese Proposals for Rapprochement with China."

SOURCE: THE NORTH CHINA DAILY
NEWS (British) of March
1, 1935.

Article

THE JAPANESE PROPOSALS FOR RAPPROCHEMENT

**No More Propaganda: Substitution of Advisers:
Funding of All Unrecognized Loans**

MONEY TO HELP IN PRESENT CRISIS

**Reports Widely Believed Though Denied: 1,700
Japanese to Replace 300 German Instructors**

GERMAN advisers to the Chinese army will be replaced by Japanese, and many foreign assistants in the National Economic Council may have to hand over their responsibilities to persons nominated by the Japanese Legation, if Nanking agrees to the terms of rapprochement offered by Japan.

Authoritative circles, both foreign and Chinese, had heard reports to this effect yesterday, and, in spite of denials of any special policy towards China given out in Tokyo, believed them. It was also reported that, subject to the conversations to be held between Major-General Doihara and the leaders of the Southwest, a time limit for Chinese compliance with the Japanese terms had been set.

Summarized the terms are:—

Complete elimination of anti-Japanese propaganda from all text-books used in Chinese schools;

The engagement of Japanese advisers by the National Economic Council;

Financial arrangements for the funding of all or part of the unrecognized Japanese loans to China, such as the Nishikawa loans;

Substitution of Japanese for the German military advisers and instructors now employed by the Nanking Government;

And, in return, a loan to be floated in Japan to assist China in her present urgent financial necessities.

LOCAL LEGATION SPOKESMAN SCEPTICAL

It was variously reported yesterday that a time-limit of between six and nine months had been mentioned for compliance with these terms. Since the Southwest has been for a long time the principal source of anti-Japanese propaganda, it was said that Major-General Doihara was going south with certain proposals and arguments to bring the Cantonese Government and Kwangsi into line with the Nanking Government's policy.

It was also stated yesterday that Gen. von Seeckt and his 300 German assistants would be replaced by 300 Officers of the Japanese army and 1,400 Warrant Officers. These officers would first train three divisions of the Chinese army to be "model divisions" and use the men so trained as the nucleus of a body to instruct the whole of the Chinese army in the principles of modern warfare.

Hurt by Propaganda

For some time it has been one

true in these reports is our stand about anti-Japanese propaganda. It is quite correct that we have from time to time made representations about the anti-Japanese propaganda in Chinese school-books, as well as towards the masses. Only a little while ago, that propaganda was anti-foreign—it included all foreigners, not only the Japanese. Since the Mukden incident, however, it has been chiefly directed against Japan and the Japanese. The anti-Japanese propaganda goes deeper than the anti-British boycott. In fact, we regard the boycott as a result of the anti-Japanese agitation and in that sense perhaps less important. We believe that it is impossible for there to be a real and lasting spirit of rapprochement between the two peoples so long as one of them is teaching its children a gospel of hate against the other. We have done our best to get this kind of thing stopped.

A Day to Friendship

policy.

It was also stated yesterday that Gen. von Seeckt and his 300 German assistants would be replaced by 300 Officers of the Japanese army and 1,400 Warrant Officers. These officers would first train three divisions of the Chinese army to be "model divisions," and use the men so trained as the nucleus of a body to instruct the whole of the Chinese army in the principles of modern warfare.

Hurt by Propaganda

For some time, it has been one of the points most insisted upon by the Japanese military authorities that anti-Japanese sentiments should be eliminated from the text-books used in Chinese schools. In Japan, the art of propaganda among children probably has been cultivated to a higher extent than in any other country in the world, and the military authorities lay great emphasis upon its importance. Hence the insistence upon this item in the demands which have been presented.

These demands, it is reported, include the deletion from text-books of all reference to the Tsinan incident, the Mukden incident, and the "rape" of Manchoukuo, the Shanghai war, and other recent Sino-Japanese clashes. The idea behind the demand appears to be that, so long as resentment in young Chinese is fostered by the statement of recent Japanese actions against China, so long will their psychology be opposed to any real rapprochement between the two nations. Once the rapprochement has become a realised fact, then the inclusion of the incidents which have been recent history can do no harm. By that time, according to the Japanese calculations, China will have realised the importance of Asiatic solidarity and the record of past differences will be of no importance.

Advisers and Loans

The substitution of Japanese advisers to the National Economic Council for those at present employed is linked with the proposal that Japan should provide the foreign loan that China so badly needs before she can put her house in order. It is contended that Japan should have men on the spot to ensure that the proceeds of this loan go to productive and not to unproductive expenditure—that is to say, to developing the resources of the country, especially cotton, rather than into the pockets of the militarists. Commercial investigations also show that China can be an invaluable source of raw materials for Japan, both mineral and agricultural. Japan is at present almost isolated in the world politic and such a source of supply close to her back-door would prove to be beyond all estimation.

The question of a number of defaulted loans has long occupied Japanese consular and diplomatic officials, just as defaulted loans to other countries have occupied their respective representatives. The inclusion of some sort of funding agreement in the latest demands is, therefore, not surprising. It would be a pre-requisite of any future loan to China.

No Concrete Proposals

"The people of Shanghai must have very good imaginations if they believe all that," said a spokesman of the Japanese Legation, when told of the reports yesterday. "So far as I know, there have been absolutely no concrete proposals made either by ourselves or by the Chinese. We have discussed matters upon which we disagreed. We have said 'This should be put right....and this,' and we have talked over how it should be done. And we now believe that each side clearly sees the other's position, and that we can see what to do about it."

"The only thing that seems to be

and the Japanese. The anti-Japanese propaganda goes deeper than the anti-British boycott. In fact, we regard the boycott as a result of the anti-Japanese agitation and in that sense perhaps less important. We believe that it is impossible for there to be a real and lasting spiritual rapprochement between the two peoples so long as one of them is teaching its children a gospel of hate against the other. We have done our best to get this kind of thing stopped.

A Bar to Friendship

"We have, so far as I know, never mentioned any specific incidents, such as the Tsinan incident, the Mukden incident, and the others to which you refer. We should not dream of trying to make the Chinese change their history. What we have endeavoured to rectify is the anti-national teaching—the teaching that fosters or creates hatred against the Japanese nation. If this hatred is to persist, there will never be the friendship between Japan and China that is necessary here for both nations."

"So far as loans go, I can assure you that there has never been any official talk of a loan by Japan to China. Dr. Wang Chung-hui in Tokyo is not discussing any such thing, and it has not been officially considered by us here. There are plenty of things to be cleared up before we can begin talking about loans. In fact, I understand that the Chinese bankers actually don't want a loan. They say that it is not needed at present."

It was intimated that the rapprochement between China and Japan would not materialize so rapidly.

"We want to see how things shape out, and if China really is in earnest that is to say, if gestures become facts," it was explained. "We sincerely hope they will and are glad the Chinese have realized that co-operation with Japan on a really equal basis is necessary for peace and prosperity in the Far East."

Worldwide Rumours

"The Foreign Office statement, which you published only this morning, was given out as a denial of rumours like these you mention. They seem to have been current in other cities in the world. There is no foundation in them and their repetition does no good to anyone."

"We are convinced that mutual relations with China mean the restoration of confidence in this country. With confidence returned, China can set herself to really constructive work, and that means enlarged business opportunities for all. Talk of Japan wanting to shut the 'open Door' in China is simply ludicrous."

"We are realists above everything, not visionaries, and we understand that equal opportunity for everyone cannot possibly be detrimental to us. We are nearest and we have the best contacts with the Chinese. Why should we have to exclude foreign competition?"

The Military Side

Lieut.-Col. Kagesa, Assistant Japanese Military Attaché, explained to a representative of the "North-China Daily News" that the suggestion that Japan had made any demands or conditions as regards the employment of foreign advisers by the Chinese army was a misconception.

"In his recent conversations with Gen. Chiang Kai-shek," he said, "Gen. Suzuki, our Military Attaché, pointed out that the employment of foreign advisers, to the exclusion of Japanese, might be looked upon as discriminatory against the Japanese. He urged that Japan should be given equal opportunity with other Powers to provide advisers."

"He also directed Gen. Chiang's attention to the fact that the

(Continued on page 15)

DECLASSIFIED: E.O. 11652, 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. 9925 of Edwin S. Cunningham, American Consul General at Shanghai, China, dated March 6, 1935, on the subject: "Alleged Japanese Proposals for Rapprochement with China."

SOURCE: THE NORTH CHINA DAILY NEWS
(British) of March 1, 1935.

Editorial

A FRANK STATEMENT

The Japanese Legation in Shanghai has courteously and frankly handled the problem of the various reports which have gained currency of late regarding the development of discussions between the representatives of the Japanese and Chinese Governments. The difficulty of ascertaining the inspiration of certain comments emanating from Tokyo and elsewhere abroad was increased by the interpretation placed locally on observations formed after the recent visits of Japanese diplomats and military officers to Nanking. Yesterday various statements seemed to have taken concrete form and this journal felt that reference to the Japanese Legation was desirable. The result is seen in the exceedingly detailed comment supplied by the Legation in response to that reference. This attitude of frank anxiety to expound the Japanese point of view will be commended. The successful issue of the efforts rightly being made by Nanking and Tokyo to arrive at a proper Sino-Japanese understanding is generally desired. All who are anxious for the removal of sources of Far Eastern instability cannot but wish both parties well in their enterprise. The Japanese exposition of the course of the discussions is reasonable and, on that basis, commands respect. It lays suitable emphasis on the need for Sino-Japanese friendship, and in so doing, it keeps well in view the interests of China as well as those of Japan. To that point most attention will be drawn, for the anxiety aroused over the interpretations given to the discussions in some quarters was mollified by uncertainty over the exact significance of obiter dicta which in the light of the Legation's statement are now clarified. It is to be hoped that the eventual outcome of the discussions will confirm the confidence thus emphatically expressed in Japan's name.

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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 15, 1935.

~~MEM~~
~~MEM~~

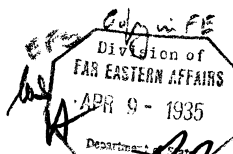
Shanghai's despatch No. 9944 of March 13, 1935, enclosing a clipping from the NORTH CHINA DAILY NEWS in regard to Major General Doihara's mission to the Southwest.

The news item in question states that General Doihara's mission has been to explain to the leaders of the Southwest the purpose of Japanese actions in Manchuria and China and to attempt to convince them that such actions have been motivated by a desire to emancipate the Far East from Occidental influence and substitute "pan-Asianism". Note marked passages.

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

No. 9944



AMERICAN CONSULAR SERVICE.

American Consulate General,
Shanghai, China, March 13, 1935.

Subject: Major-General Doihara's Mission
to the Southwest: The Sino-
Japanese Rapprochement.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

For Distribution-Check		Yes	No
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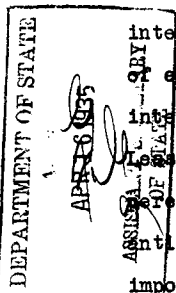
COPIES SENT TO
O.N.I. AND M.I.D.

Sir:

1/ I have the honor to transmit herewith a clipping from THE NORTH CHINA DAILY NEWS (British) of March 10, 1935, in regard to Major-General Doihara's mission to the Southwest, a mission which, despite repeated denials, may have been initiated with due regard for Japanese desires to effect a Sino-Japanese accord.

At the present time, the center of publicized interest in Chinese affairs in Shanghai is the question of economic and financial rehabilitation, for which an international loan (vide the 1920 Consortium) is mooted. Less attention has, therefore, been paid to Doihara's peregrinations throughout the regions controlled by the Anti-Nanking faction and his visits to points of strategic importance along the Fukien coast, far less attention than the situation would appear to warrant. According to the article in THE NORTH CHINA DAILY NEWS and to official

Japanese



793.94/6947

F/FG.

-2-

Japanese spokesman, Doihara's mission has been to explain to the Chinese the purpose of the Japanese adventures in what was formerly Manchuria and subsequently in China, attributing thereto a desire to emancipate the Far East from Occidental influence and to substitute pan-Asianism therefor, preaching a doctrine of Oriental coadjuvancy.

Of some political significance is the article's reference to Doihara's discussion with Hu Han-min in Hongkong of the Sino-Japanese position. The reconciliation of Hu Han-min with the Nanking faction and with its Japanese policy has been one of the obstacles in bringing about a Canton-Nanking rapprochement. Doihara's influence with the veteran Southwest leader is accordingly a question to which too much weight cannot be given - if Hu can be converted to the Japanese thesis by whatever means and by whatever promises, a far greater measure of unification than has hitherto been possible in China can be achieved. However, the article's statement that Hu "now appreciates the ideal behind Japanese policy" is perhaps susceptible of a too roseate interpretation.

The reference to Doihara's visit to Fukien, and specifically to Foochow, is also speculatively interesting in view of the fact that rumors have been rife in recent years as to Japan's intentions along the Fukien coast, as to its desire to establish supplementary protective bases there for Taiwan and the Pescadores.

Although

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

-3-

Although a positive development of these rumors has not yet come to pass, it is a matter of record that Japanese interest has been, and evidently continues to be, strong in the Fukien situation.

Respectfully yours,

Edwin S. Cunningham
Edwin S. Cunningham,
American Consul General.

Enclosure:

1/- Clipping from THE NORTH CHINA
DAILY NEWS of March 10, 1935.

800
CSR MB

In Quintuplicate.

Copy to Legation.

Copy to Embassy, Tokyo.

Enclosure No. 1 to despatch No. 9944 of Edwin S. Cunningham, American Consul General at Shanghai, China, dated March 13, 1935, on the subject: "Major-General Doihara's Mission to the Southwest; The Sino- Japanese Rapprochement."

SOURCE: THE NORTH CHINA DAILY NEWS
(British) of March 10, 1935.

Clipping

GEN. DOIHARA'S MISSION

Explaining Japan's Stand to South-west

WARMLY WELCOMED

Satisfactory Outcome of Conversations

SPECIAL TO THE "N.C.D.N."

Japanese officials have been agreeably surprised by the cordiality of the reception given to Major-General Domara during his visit to Kuangtung and Kwangsi, and by the obvious sincerity of the wish of the South-western leaders to understand the Japanese position.

General Dohara is now somewhere in Fuzien, probably in Foochow. He is not expected to return to Shanghai until between March 18 and 20, and will leave for Japan on March 22, unless his plans are changed at the last moment. He has reported that he has been well received wherever he has gone, with the possible exception of a coolness in the Chinese press in Hongkong.

His mission, according to a spokesman of the Japanese legation, has never been specific or official. He has been charged with the task of explaining to the Chinese, both in Nanking and in the South-west, the Japanese attitude towards Manchurian affairs and the Japanese feeling towards China. He stated that General Dornier was here to make an appeal to the Chinese to stop boycotting Japanese goods.

Standing the spokesman of the

Spiritual & General Points

SECRET

1968-1969

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understanding of themselves in the
 present of everyone concerned.

The press reports that the comments from the south concerning the end of Dolhara's reign have not been

whole been misleading the workers," the man said. "They did not take my

exception. The Cambridge Center for
Developmental Psychology is a

Talk With Mr. H. H. ...

In Hongkong General Bullard
issued the Sino-Japanese Peace
with Mr. Hu Han-min and the

MR. HENRY J. ROBERTS

the Far Eastern nations to a better understanding of themselves to the benefit of everyone concerned.

The press reports that have come from the south concerning General Doihara's reception have on the whole been misleading, the spokesman said. They did not take into account the warmth of the general's reception. The Cantonese leaders even sent a man to Shanghai to accompany the general south.

Talk With Mr. Hu Han-min

In Hongkong General Doihara discussed the Sino-Japanese position with Mr. Hu Han-min, and he thinks that Mr. Hu now appreciates the ideal behind Japanese policy. Both admitted that the carrying out of the policy might cause friction, but General Doihara was satisfied that Mr. Hu credited Japan with working, perhaps in his view misguided, towards the realization of a worthy object.

General Doihara was even more warmly welcomed on his arrival in Canton. On March 4 he had an interview with General Chen Chitang, the Cantonese military leader, Mr. Lin Yun-kai, the chairman of the Kuangtung provincial government, General Liu Chi-wen, the mayor of Canton, and members of the South-western Political Council. To them he made much the same explanation as he had made to Mr. Hu.

He found that reports of his conversations in Nanking and news concerning the Sino-Japanese rapprochement had had an unexpected effect upon the south. There seemed to be a fear in Canton—and he found a similar feeling in Kwangsi—that a rapprochement between Nanking and Japan would free Nanking's hands for strong action against the South-west. They were deeply sceptical of Nanking's bona fides, and warned General Doihara that the rapprochement was only a temporary expedient adopted for their own purposes by the leaders in Nanking and not to be counted upon.

Equality Essential

For themselves they were not inclined to balk at a rapprochement with Japan. They stipulated, however, that it should be on terms of perfect equality between the two nations, in accordance with the doctrine taught by Dr. Sun Yat-sen.

General Doihara was told that the South-west had prepared a memorandum which they had intended to publish as a reply to the statement recently made by Mr. Wang Ching-wei, but had not issued it since it might have been misinterpreted in the light of General Doihara's visit to China.

The general also renewed his acquaintance with Mr. Hsiao Fu-chen, the veteran Kuomintang leader. Mr. Hsiao has been one of Nanking's bitterest critics, especially as regards its Japanese policy. The two are, however, old friends, and their meeting was unmarred by any hint of national differences of opinion.

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

TELEGRAM RECEIVED

REP

1-1236

FROM

SPECIAL GRAY

Nanking via N. R.

Dated April 15, 1935

Rec'd 3:50 a. m.

Secretary of State,
Washington.

70, April 15, noon.

CONFIDENTIAL.

Following his return from Japanese consular conference in Shanghai Japanese First Secretary Suma has indicated to Nanking foreign newspaper correspondent with whom he is on very friendly terms that questions discussed at conference were chiefly routine in nature and that there were no important discussions as to any change in policy to be observed by Japanese representatives in China. Suma then repeated his previous statements of Japanese position in regard to China and Far Eastern Affairs which have from time to time been reported by this office. He said he had been informed by British Minister in Shanghai that latter had "given up any expectation" that Chinese Government would put forth definite proposals for a foreign loan or financial assistance. Suma said also that according to information

he

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OFFICE OF ECONOMIC ADVISER
APR 23 1935
DEPARTMENT OF STATE

Division of
FAR EASTERN AFFAIRS

APR 15 1935

Department of State

793.94/6948

FILED
APR 23 1935

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

REP

2-#70, From Nanking, April 15, noon.

he obtained in Shanghai there would be little alteration in Chinese import tariff and that new schedules would probably not be in force until May or possibly June.

ATCHISON

WSB

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

TELEGRAM RECEIVED

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FS

FROM

SPECIAL GRAY

NANKING

~~Receiving~~ via N. R.

Dated April 16, 1935

Rec'd 1:39 p.m.

Secretary of State,
Washington.

72, April 16, 3 p.m.

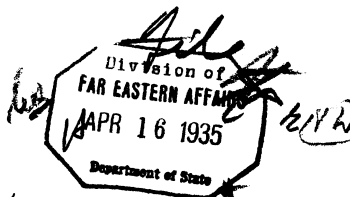
CONFIDENTIAL.

My 70, April 15, noon. / 6948

Responsible Chinese official today informed me that, contrary to expectations in some Chinese circles and voiced in section of Chinese press that Japanese Consular conference in Shanghai would be immediately followed by renewed Japanese "demands" on China, the Japanese Minister yesterday, in calling upon the Acting Minister for Foreign Affairs, had not only not made any demands or proposals but had expressed Japanese Government's satisfaction at suppression of the anti-Japanese boycott and apparent increase of Chinese Government's control in this matter.

KLP:WSB

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APR 16 1935

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Tientsin/81 FOR Despatch # D-712

FROM Tientsin (Lockhart) DATED Mar. 4, 1935
td// NAME 1-1127 o.p.

REGARDING: Relations between China and Japan: Sets forth various incidents concerning -, which took place through the month of February, 1935: Settlement of the Chahar Incident; Doihara's Visit; Agreement on the Demilitarized Zone, were the high lights of the happenings of the month.

frg

793.94/6950

6950

- 3 -

773.94
a. Settlement of the Chahar incident.

On February 2 representatives⁽¹⁾ of the Provincial Government of Chahar and of the Kwantung Army met at Tat'an in the Heiho area east of the Great Wall formally to accept a pre-arranged settlement of the Chahar incident. The agreement envisaged the withdrawal of the Japanese troops to their original defense positions, a promise on the part of the Chinese not again to "invade" the area, and the return to the militia there of 37 rifles and 1,500 rounds of ammunition seized from them by the Chinese authorities before the area's occupation by Japanese troops. The Kwantung Army communique reporting the conference stated that China apologized and accepted the Japanese demands, while the statement published by the Peiping Branch Military Council alleges that the conferees agreed to ascribe the incident to "some misunderstanding on both sides".

b. Leaflets over Tushihk'ou.

Warning that the comparatively mild terms under which the Chinese were permitted to evacuate the Heiho district should not be interpreted as indicating a weakening in the attitude of the Japanese military was conveyed by Japanese military airplanes which appeared over Tushihk'ou on February 5. These planes dropped thousands of propaganda leaflets setting
forth

(1) Chang Yueh-t'ing (), Chief of Staff of the 37th Division, Chang Tsu-teh (), Section Chief of the Chahar Provincial Administration, and Kuo Yu-k'ai (), Chief of the Kuyuan District Government, for the Chinese; General Tani, Commander, 13th Brigade of the 7th Division, Colonel Wanaga, Commander of the 25th Division, and Lieutenant Colonel Matsui, for the Japanese.

- 4 -

forth the determination of the Japanese to defeat the Chinese army, occupy intra-mural territory and take Kalgan itself if Chinese troops again disturbed the peace or threatened the authority of "Manchukuo".

c. Boirnor incident. The clash between Outer Mongolian and "Manchukuo" border patrols to the north of Boirnor on January 24 was followed on January 30 by the expulsion of the Mongol soldiers from the disputed zone by "Manchukuo" troops, who on February 2 proposed a truce pending negotiations. It is believed to have been agreed that the Mongol troops were to remain south of the Haluha River and the "Manchukuo" troops to the north of that river, and that neither side was to take hostile action while negotiations for the settlement of the incident were in progress. There were unsubstantiated reports that the Japanese contemplated several demands. No details of the settlement, if one has been reached, were available here at the end of the month.

d. Doihara's visit. Major General Doihara, believed by many Chinese to be the master mind of Japanese intrigue in China, arrived in Tientsin from Mukden on February 5 on his regular spring tour of this country. From the 6th to the 9th he was in Peiping, and on the 13th left Tientsin by rail for Tsinan and Tsingtao, then to Shanghai and Nanking. His previous visits have been made unheralded, the mere rumor of his presence being sufficient

- 5 -

sufficient to cause widespread public apprehension. It had almost become proverbial that "trouble follows Doihara". It is a significant commentary on the difference the last few months have made that his present trip has occasioned but little unfavorable publicity, and that if any trace of the former feeling against him remains in North China, it has been smothered under the hospitality showered on him by officialdom here during his stay.

e. Agreement on Demilitarized Zone.

By Article 4 of the five published articles of the T'angku Truce, signed on May 31, 1933, the policing of the Demilitarized Zone was entrusted to the Chinese authorities, but through subsequent negotiations the Chinese were forced to accept 4,000 of the "Manchukuo" troops of the renegade General Li Chi-ch'un () as the nucleus of the Chinese police force in the Zone. This arrangement successfully thwarted any efforts the Chinese might have desired to make to maintain real order in the Luantung area, and left unrestrained the traffic in drugs and other activities of the Japanese and Korean ruffians who have infested the Zone since the withdrawal of the Japanese troops.⁽²⁾ General Yu Hsueh-chung () is believed to have sought the amelioration of this situation for over a year and a half, and in an interview printed in the February 1 issue of the TA KUNG PAO (Chinese)

he

(2) See page 11 of this report for the account of an incident typifying the sort of "peace" preserved by this "Peace Preservation Corps".

- 6 -

he laid the blame for its continuation on Japanese obstruction. This blunt statement, made at a time when the Japanese are exerting themselves to bring about a semblance of Sino-Japanese friendship, could not be ignored, and the question was seriously taken up at a series of conferences held in Peiping and Tientsin, and participated in by Yin T'ung (), T'ao Shang-ming (), and Yin Ju-keng () for the Chinese, and Major Takahashi and Colonel Giga for the Japanese. At several of their meetings Major General Doihara was present. The agenda of these conferences included the narcotics traffic in the Zone, activities of Japanese and Korean ruffians, the replacement of the armed police, and the retrocession of Malanyu. On February 15 Colonel Giga presented to General Yu a tentative agreement to the effect that (a) 5,000 new Pao An Tui might be sent into the Demilitarized Zone; (b) they might carry rifles, pistols and fifty light machine guns; (c) their arms should be subject to Japanese inspection; (d) heavy field pieces might be taken into the Zone when necessary, to be withdrawn immediately after they had served their purpose. These terms the General accepted, with the understanding that the arms would be inspected only once, when they were imported into the Zone.⁽³⁾ It is probable that this agreement will be given effect some time in March, although there would appear
still

(3) I SHIH PAO, February 16, 1935.

- 7 -

still to be some reluctance on the part of the Japanese to permit the disbandment of the present special police.

f. Retrocession of Malanyu. At the conclusion of these conferences, the press was informed that an agreement in principle on the retrocession of Malanyu and the nearby Eastern Tombs had also been reached, but that Lieutenant Colonel Takahashi planned to go to Mukden early in March to seek the assent of Kwantung Army leaders before completing formal arrangements. (4)

g. Resumption of money order and parcel post services to the Northeast. Chinese post offices throughout the country began on February 1 to handle parcels post and money orders to and from "Manchukuo".

h. Resumption of telegraph services. From February 5 land wire service between Intra-Mural China and Manchuria was resumed.

i. Through traffic and mail offices request subsidies. The Oriental Travel Agency and the Mail Transmission Office, charged, respectively, with the handling of through traffic and mail transmission between China and "Manchukuo", both have requested subsidies of the National Government, it is reported. (5)

j. Change in through traffic administration. Perhaps as a result of statements made

(4) TA KUNG PAO, February 14, 1935.

(5) I SHIH PAO, February 18, 1935.

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

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made in support of this request, the China Travel Service has been relieved of the administration of through traffic, certain Chinese having, according to statements in the vernacular press, been appointed to handle the task in its stead. (6)

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R.Nanking/85 FOR Desp.# D-737 Consular

FROM Nanking (Peck) DATED Mar. 9, 1935.
1461 NAME 1-1127 ...

REGARDING: Rumors of a Sino-Japanese Accord: This was chief
topic for speculation in Nanking during February.
Gives indications that this rumor is well-founded.

fpg

793.94/6951

695-1

Rumors of a Sino-Japanese Accord.

97394
Rumors of a Sino-Japanese accord continued to be the chief topic for speculation in Nanking during the month of February. Reports from Tokyo concerning Japan's offers to China of economic cooperation, financial assistance and a military alliance were an almost daily occurrence, which served to keep the Capital in a constant turmoil of suspense and expectation. No definite information was forthcoming from Chinese sources that Japan is endeavoring to force China into an agreement, but the following indications that Japan is working for an accord and that the leaders of the National Government are adopting a more conciliatory attitude toward that nation were observed during the month:

In a press interview published by the KUO MIN News Agency on February 2 General Chiang Kai-shek was reported to have scoffed at the reports that China was to become a Japanese protectorate while at the same time he was quoted as having said,

"Our Government has always evinced a spirit of earnest sincerity in relations with others and we trust that this is recognized."

"The

-4-

"The recent speech of Mr. Hirota, the Japanese Foreign Minister, at the Japanese Imperial Diet, we believe, was also made in a spirit of sincerity, and has been fully comprehended by the Chinese Government and people."

On February 20 in an address to the Central Political Council President Wang Ching-wei of the Executive Yuan went much further than had General Chiang in extending the olive branch to Japan. In his speech as reported by the semi-official Central News Agency he stressed the fact that the late Party Leader, Dr. Sun Yat-sen, had outlined the policy that should be followed by China in its relations with Japan in the following words, "Considering the relationship between China and Japan in all respects the peoples of the two countries should work hand in hand and cooperate in the advancement of the welfare of the two countries."

Dr. Wang prefaced his remarks, which centered around the belief that a closer relationship and mutual understanding between China and Japan should exist, with the statement that he was describing his personal reactions to Mr. Hirota's recent speech in the Japanese Diet, and that his remarks might also in a way be taken as an explanation of China's fundamental policy toward Japan.

The above described statements, which were given wide publicity both in the vernacular and foreign press, are believed by many to portend the establishment of some kind of economic "cooperation" between China and Japan, if not the conclusion of some definite pact. In this connection it is interesting to note the recurrence of news reports to the effect that China is contemplating a loan from Japan with which to control its currency and

maintain

-5-

maintain its credit.

On February 20 Major General Kenji Doihara, who has been making an extensive tour of China, arrived in Nanking for a short visit. While here he visited Dr. Wang Ching-wei and other important Government officials. The press was informed that General Doihara's visit was of an entirely unofficial character, but Nanking found it difficult to believe that the General's conversation while in Nanking had been confined entirely to the exchange of courteous pleasantries.

Dr. Wang Chung-hui, one of the Judges of The Hague Court, who for the past several months has been acting as envoy between the Central authorities and the Southwest in an effort to bring the two parties closer together, departed for China to resume his post at The Hague, travelling via Japan and the United States. It appears that in spite of the fact that Dr. Wang's negotiations with the Southwest were not entirely successful, he was again pressed into service by the Central authorities to act as a special and "unofficial" envoy for China in Japan. During his visit in Japan Dr. Wang is reported to have interviewed numerous high Japanese officials, among whom was Mr. Hirota, and judging from the remarks he is reported to have made immediately prior to his departure he was successful in establishing cordial relations with the Japanese authorities and in conveying to them China's viewpoint.

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Hankow/94 FOR Desp. #31

FROM Hankow (Josselyn) DATED Mar. 9, 1935
/t6// NAME 1-1137 ***

REGARDING: Relations between China and Japan: Sino-Japanese
rapprochement and remarks of General Doihara on
anti-Japanese editorials in Hankow papers.

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6952

D. REMARKS BY GENERAL DOIHARA

1. Japan.

793-94
a. Sino-Japanese rapprochement and remarks of General Doihara on anti-Japanese editorials in Hankow papers.

The recent efforts being made toward closer cooperation between China and Japan have so far had very little repercussion locally.

Major General Doihara, in an interview in Shanghai on February 18, stated regarding the anti-Japanese policy of the Chinese Government and the

Kuomintang

-3-

Kuomintang that violent anti-Japanese editorials had been published in the Hankow newspapers. So far as can be learned there is little, if any, basis for this remark. The HANKOW HERALD (Chinese newspaper published in English), in an editorial on February 20 regarding General Doihara's remarks stated:

"So far as we are aware, the Chinese in Hankow, newspapers as well as individuals, have shown the least enthusiasm in the retaliatory measures adopted by other cities against the Japanese aggression. A prominent foreign journalist, the late Sir William Martin, when visiting Hankow in the summer of 1933, expressed great surprise at the conspicuous absence of any anti-Japanese boycott, which was approved by the League of Nations as a legitimate means of self defense against aggression. Whatever anti-Japanese activities there were during the Sino-Japanese tension have now practically ceased."

So far as information is available this statement appears to be borne out by the facts. The leading Chinese papers in Hankow have contained little, if anything, of an anti-Japanese nature. Japanese firms are understood to be doing a good business in this area in piece goods, paper and other lines, and Japanese shipping firms are doing well.

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

DOCUMENT FILE

NOTE

SEE 893.00 P.R./91 FOR Despatch #3436

FROM China (Johnson) DATED Mar. 14, 1936.
199111 NAME 1-1127 ...

REGARDING:

Relations between ~~China~~ and Japan: Progress toward
Sino-Japanese "cooperation".

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695-3

1. Japan:

a. Progress toward Sino-Japanese "cooperation":¹

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The interest of the nation during February was focused (1) on evidence that Japan was continuing its efforts to persuade leaders of the National Government to agree to a policy of "cooperation" with Japan and (2) on indications that those leaders were preparing the Chinese nation for some degree of yielding to Japanese desires. However, persons other than the immediate protagonists remained ignorant of the scope of whatever proposals were under discussion and of the degree of acquiescence to which the Chinese leaders were being persuaded. Observers could only speculate, apprehensive that their speculations might be based on intentional exaggerations conveyed by Chinese officials in confidential conversations and on understatements intentionally put out by Japanese officials. Observers were further apprehensive that their speculations might be nullified by the Kwantung Army whose degree of acceptance of a policy of "cooperation" was uncertain and whose time-limit for concurrence in trying out such a policy was unknown.

It

1. Legation's telegram No. 84, February 21, 12 noon; etc.

- 2 -

It was presumed that the purposes of the Japanese authorities in any policy of "cooperation" were both political and economic, the political being to prevent China from becoming either a barrier or a menace to Japanese expansion and the economic purpose being to develop China as a source of raw materials for Japanese factories and as a market for Japanese goods in order to solve Japan's economic problems and to free Japan from its present dependence on Western nations as sources of its raw materials and as markets for its merchandise. Acquiescence on the part of the Chinese authorities, it was thought, would be the result of a conviction that only by accepting Japanese "cooperation" could they avoid aggression by the Japanese military and/or a monetary collapse which would bring about the downfall of the National Government and of General Chiang Kai-shek.

There continued to be cautious moves on the part of Chinese leaders intended to regiment public opinion toward acceptance of some degree of "cooperation". When it became apparent, for example, that General Chiang Kai-shek's conciliatory press statement (reported in the previous monthly review) had been received calmly in China, Mr. Wang Ching-wei went further and in an address on February 20 became enthusiastic over "improvement" in Sino-Japanese relations, attempting at the same time to give the impression that Dr. Sun Yat-sen would have approved "cooperation" were he alive today.

Ima

- 3 -

Two important figures were newly injected into the Sino-Japanese conversations of February, one a Japanese and one a Chinese. The well-known Major-General Doihara visited Chinese leaders in North China early in February, Chinese leaders in Central China during the middle of the month, and at the close of the month was on his way to call on the leaders of the Southwest. As he is understood to represent the Kwantung Army, his visit was regarded as unusually significant, notwithstanding reports from Japanese sources that his influence with the Japanese army is definitely on the wane. His visit gave additional indication of the extent to which "cooperation" has seized the official Chinese mind, as he was entertained, especially in North China, with excessive hospitality although he is known by Chinese officials to have been in large part responsible for the seizure of Manchuria and although in previous visits little attention had been paid to him.

The other figure was Dr. Wang Ch'ung-hui, Chinese member of the Permanent Court of International Justice at the Hague, who visited Tokyo on his way from China to the Hague and conversed with high Japanese officials there. Denials to the contrary, it was presumed that his visit was important and that he had been chosen to discuss "cooperation" at Tokyo because his activities would arouse less opposition in China than those of some other envoy due to the facts that

- 4 -

that his visit had a superficially casual appearance as he was on route to his post, that he is regarded as a member of the pro-European clique, and that, having recently acted as negotiator between General Chiang Kai-shek and the Southwest, he would be regarded by the Southwest as less partisan than other representatives whom the National Government might have despatched.

b. The situation in North China:

(1) Southeastern Chahar Province: the Tat'an Conference:

Presumably to give an opportunity to diplomacy to gain the objectives of the Japanese military under the guise of "cooperation", the Kwantung Army was quiet during February. Its action in January which ended any Chinese control existing in southeastern Chahar Province east of the Great Wall was followed on February 2 by a thirty minute conference of Chinese and Japanese officers at Tat'an in western Jehol Province. Although versions of the agreement approved at Tat'an differed, it was evident that the area was left in the undisputed control of the Japanese. Both sides claimed that no secret understandings had been entered into, statements which may be true as the Japanese military may have thought that leniency in this instance would affect favorably the concurrent

negotiations

2. Legation's despatch No. 5366 of February 15.

- 5 -

negotiations in Central China of much wider scope.

(2) General Huang Fu; General Yu Hsueh-chung:

There was no clarification during February of the future of General Huang Fu, who has been the chief Chinese negotiator with the Japanese in North China since the Tangku Truce, nor of the future of General Yu Hsueh-chung, the Chairman of Hopei Province, who has been antagonistic to General Huang Fu in the latter's dealings with the Japanese.

As previously reported, General Huang Fu left Peiping for Nanking on January 18, reputedly to become concurrently Minister of the Interior, a post to which he was appointed on December 7. He has not yet, however, assumed that position, although in preparation for his eventual induction two men of his choice were appointed vice ministers of that Ministry. From Nanking General Huang Fu proceeded to Shanghai (where he conversed with Major-General Doihara) and later retired to Mokanshan "to rest". His delay in becoming Minister of the Interior may have been due to one or more of the following factors: (1) the alleged offer to him of the post of Minister for Foreign Affairs; (2) the new Sino-Japanese rapprochement; (3) his relations with his antagonist, Mr. Wang Ching-wei; and (4) the need of a final solution of his relations with General Yu Hsueh-chung in case General Huang Fu is to return to North China.

As for General Yu Hsueh-chung, he traveled to

Hankow

- 6 -

Hankow in the latter part of February and there conferred with General Chiang Kai-shek, Marshal Chang Hsueh-liang, and certain subordinates of the latter. According to report, a decision was reached to reorganize the Northeastern forces, including those which still remain in North China. Reorganization is expected to improve control of these troops by Hanking and perhaps to prepare for further removal of some of them from North China, a development which would make for tranquillity in the North as by their elimination further concessions in North China to the Japanese could be the more quietly effected. Definite information with regard to the question of the transfer of General Yu (and the capital of Hopei Province) from Tientsin to Paoting (away from any important locale of Sino-Japanese relations) was still unobtainable.

(3) Negotiations under the terms of the Tangku Truce:³

With questions of primary importance in Sino-Japanese relations being carried on in Central China, negotiations in North China were confined to secondary questions arising from the Tangku Truce of May 31, 1933, and were conducted by local Japanese and Chinese authorities, with the visiting Major-General Doihara participating during the early part of the month.

The

3. Tientsin's despatch to Legation, No. 882, March 4.

- 7 -

The demilitarized area in northern Honai:

It was reported that an agreement was reached, though not put into effect, with regard to the question of a new and adequate Chinese force to improve the disturbed conditions which have existed in the demilitarized area since it was created under the terms of the Tangku Truce. The agreement is understood to include provision for the removal from the area of certain subversive and rebellious peace preservation forces and the entry of an effectively armed new Peace Preservation Corps numbering 5,000. The efficacy of this agreement remains yet to be tested.

Telegraph service between China and "Manchukuo": 4

Limited land telegraph service was instituted February 5 between China Proper and Manchuria for the first time since the Manchurian Incident. Service on the Chinese side was confined, however, to Tientsin, awaiting further extension of facilities.

c. Reinstatement of Mr. H. Kishimoto as Chief Secretary of Customs at Shanghai: 5

Objection on the part of the Japanese authorities to the appointment of Mr. Hirokichi Kishimoto, formerly Chief Secretary of the Chinese Maritime Customs, as Commissioner of Customs at Tientsin caused the Chinese Maritime Customs to reconsider the question and to return him to his former position of

Chief

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4. Legation's telegram 76, February 15, 4 p.m.
5. Nanking's despatch to Legation No. 594 of February 5.

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

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Chief Secretary. According to an official source, the Japanese authorities were motivated by the anticipation that reinstatement would lead eventually to Mr. Kishimoto's succeeding Sir Frederick Mase as Inspector General. The immediate reason for compliance on the part of the Customs was, according to a Chinese official, the fact that Sir Frederick Mase had promised in writing, at the insistence of the Japanese Minister in 1932 when Mr. Kishimoto had been granted an extended furlough, that Mr. Kishimoto would be reinstated at a later time as Chief Secretary if the Chinese Government did not object and if other conditions warranted it.

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 30, 1935.

~~MEM~~
~~MEM~~

To note Peiping's brief
despatch, No. 3446 of March 20,
1935, transmitting a copy in
translation of a speech made
by Mr. Sun Fo, President of the
Legislative Yuan on Sino-Japanese
relations.

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



LEGATION OF THE
UNITED STATES OF AMERICA
Peiping, March 20, 1935.

No. 3446

Subject: Mr. Sun Fo's address on Sino-Japanese relations.

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DIVISION OF
COMMUNICATIONS
AND RECORDS



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793.94/6954

The Honorable

The Secretary of State,
Washington, D.C.

Sir:

I have the honor to refer to my telegram No. 119 of March 16, 2 p.m., 1935/¹⁹²⁰ in which was summarized an address made on March 12th by Mr. Sun Fo, President of the Legislative Yuan, on Sino-Japanese relations, the address having been broadcasted in Japan as part of Japanese observation of the tenth anniversary of the death of Dr. Sun Yat-sen, father of Mr. Sun Fo. A 1/ copy in translation is enclosed of the report of this address

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MAY 2 1935

F/FG.

- 2 -

address as given out by the Central News Agency
(Chinese) at Nanking.

It may be mentioned that the English version
supplied by this agency differed from that which
appeared in the vernacular press in that a hostile
reference to Europe and America was deleted from
the English version. This reference was:

"During the last 100 years we have
suffered from the encroachment of European
and American influence, which has awakened
the people of the two countries (Japan and
China), who have all begun to strive to
increase their strength. During the last
50 years, all the educated people of these
two countries have realized that this
period was a time of struggle of the yellow
race for existence.

As stated in the above-mentioned telegram, the
principal significance of Mr. Sun Fo's address would
seem to be that he is so convinced of increasingly
closer relations between China and Japan that he
considers it expedient for his political future to
align himself with the so-called pro-Japanese group.

Respectfully yours,



Nelson Trusler Johnson.

710.
LES/js.

Enclosure:

1/ Translation of report of
address by Mr. Sun Fo.

Original and three copies to the Department.
One copy to American Embassy, Tokyo, Japan.

3446
TRANSLATION

From: The Hua Pei Irh Pao of March 14, 1935.

Report of the Central News Agency (Chinese) of address made March 12, 1935, by Mr. Sun Fo on Sino-Japanese relations and broad-casted in Japan.

"Mr. Sun Fo's address was, in effect, as follows:

"To-day is the tenth anniversary of the death of the late leader of the Kuomintang in China. The people of China are suffering from numerous difficulties and are grieved at the loss of their tutor. Our sorrow is especially deep each year on this day. The officials and the people of your country (Japan) are holding meetings this year in a dignified manner in commemoration to recollect his history and to expound his theories. This gives a ray of hope for peace in eastern Asia and augurs well for the future relations of these two countries (China and Japan). I am very grateful to the people of your country for their sincere friendship. I recall that in the winter of 1924, several months before his death, the leader was given a warm welcome by your people and that he delivered a speech on his policy of Greater Asia. At that time he held open-hearted discussions with the people of your country. Can the people of these two countries refrain from having deep impressions after reading his posthumous instructions? I further recall that before the revolution of 1911, when the leader was staying in Japan, he received enthusiastic assistance and had sincerely friendly relations with the people of your country. Their friendship really could

- 2 -

could last forever. Can we refrain from being deeply moved in view of the present circumstances and in recollection of the past?

China and Japan are countries of the same race and of the same language and should strive for mutual existence, mutual prosperity, mutual love, and mutual assistance. This will not be disputed by educated people. These two countries were from early times big nations in the East. During the last one hundred years we have suffered from the encroachment of European and American influence, which has awakened the people of these two countries who have all begun to strive to increase their ^{strength.} During the last fifty years all the educated people of these two countries have realized that this period was a time of struggle of the yellow race for existence and that the various weak countries in eastern Asia have in fact the obligation of mutual help. Especially, such close neighbors as China and Japan should join hands in order that they may be able to cope with forthcoming great difficulties. Furthermore, the culture of these two countries has become amalgamated during the past several thousand years. All aspects such as religion, philosophy, right principle, ceremonial rites, literature, music, manner of living, and costume have the same origin, and the people of these two countries are worshipping the principles of Confucious, Mencius, Wang Yang-ming, and General Yueh Wu-mu. The spirit of the three principles advocated by the leader of the

Kuomintang

- 3 -

Kuomintang is also based on those principles and many of your educated people are sympathetic with the principles of the leader. While the spirit of the people of the two countries is so close in relationship, yet the national relations of the two countries have frequently been bad. This is very strange. Of late the peoples of the two countries have gradually awakened and all are desirous of remedying the situation. A turn for the better in their relations is commonly reported. This is very important information which those who are concerned about peace in eastern Asia are anxiously awaiting. However, the accomplishment of this objective will depend chiefly on whether the officials and people of these two countries will actually be able to have far-reaching views and thorough understanding. There will be no help for the situation if they continue to have selfish purposes and to adhere to their prejudices.

What is the proper way? I believe we should observe the spirit of the leader's policy of Greater Asia and the Oriental right principles of loyalty, filial piety, faithfulness, righteousness, kindness, love and peace. And we should also consider the modern theories of equality, freedom, philanthropy, and mutual assistance. We should be open-hearted and frank with each other. Thus, in this way, it will be possible to fix a permanent, peaceful policy for the future of these two countries and the long-pending Sino-Japanese questions can undoubtedly be settled. I wish that people of these two countries would jointly make every effort to achieve this.

ECT/LES/js.

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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 23, 1935.

~~SKH~~
~~1935~~
Peiping's despatch No. 3455 of March 25, 1935, in regard to the current developments in connection with rumored Sino-Japanese negotiations for a rapprochement.

The despatch refers to the Department's telegram No. 82 of March 19, 7 p.m. in regard to reporting on the rumored Sino-Japanese negotiations for a rapprochement and states that the developments which have occurred since 1931 are primarily in the hands of the Japanese military and more specifically in the hands of responsible leaders of the Kwantung Army and that in view of the fact that Japanese military officers generally maintain an attitude of complete aloofness from all foreign contacts the Legation lacks means of making contacts with the Japanese military and of obtaining accurate and reliable information. With reference to the Chinese with whom the Japanese military are in consultation from time to time, the despatch states that they appear to be afraid to talk and that the Legation has also had in mind the desirability of refraining from giving the appearance of undue interest or anxiety in conversations with either Japanese or Chinese. The despatch also states that while the Legation is

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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 -

definitely aware of a difference of opinion among Japanese as to method of approach in dealing with China it is almost impossible for the Legation at any given moment to foretell with any assurance of accuracy the direction which Japanese policy will take. For the moment it would appear that an attempt is being made by the Japanese military to follow the Foreign Office policy. The Chinese unable to meet the Japanese with force and faced with a financial crisis appear to be at their wits' end to know what to do and therefore it may be expected that they will comply as far as possible with Japanese desires as they see no help either at home or abroad. In this connection, the despatch adds that the British within recent days have informed the Chinese that they can expect no assistance from Great Britain unless Sino-Japanese relations improve.

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

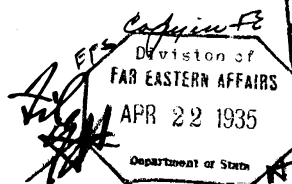
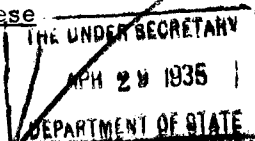


LEGATION OF THE
UNITED STATES OF AMERICA

No. 3455

Peiping, March 25, 1935.

Subject: Reporting on the Sino-Japanese
Rapprochement.



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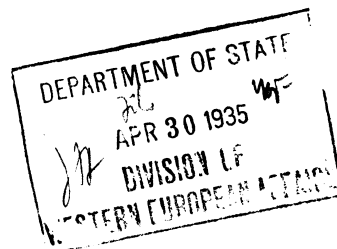
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193.94/6955

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



Sir:

I have the honor to refer to the Department's
telegram No. 82 of March 19, 7 p.m., 1935, with
regard to reporting on current developments in the
rumored Sino-Japanese negotiations for a rapprochement
and to assure the Department that the Legation will
do everything which it can to assist the Department
in studying and evaluating available evidence on
this subject.

I should like, however, to suggest that, the
situation which has developed here since 1931 being
primarily

FILED
MAY 1 1935

F/F.G.

- 2 -

primarily in the hands of the Japanese military and more specifically in the hands of responsible leaders of the Kwantung Army, the Legation lacks means of maintaining proper contacts for purposes of accurate and reliable information. Japanese military officers generally maintain an attitude of complete aloofness from all foreign contacts. In such associations as we have been able to make and maintain with Japanese civilians, official and unofficial, we have been led to the conviction that either they are not privy to the plans and intentions of their military colleagues or are afraid, in view of the attitude of the military, to say anything of significance.

Furthermore, the Chinese with whom men like General Suzuki, Major General Doihara, and the Assistant Military Attaché at Peiping, Major Takahashi, make what we believe to be responsible approaches are equally afraid to talk, and the Legation and other officers have been attempting to exercise particular care not to give the appearance of overt interest or anxiety in conversations with either Japanese or Chinese. It is believed that conversations with regard to the most important phases of Sino-Japanese "cooperation" are confined on the Chinese side to a very limited number of persons whose identity is not known with exactitude, although it is presumed that General Chiang Kai-shek is one of them. To obtain information from the principals concerned, who are the only persons who know what is actually going on, is impossible. It may also be mentioned that some of the Chinese with whom the Japanese deal have so little apparent connection with

the

- 3 -

the usual organs of diplomatic intercourse and are so insulated against the usual contacts that for members of the Legation to approach them would arouse immediate suspicion.

We are definitely aware of a difference of opinion among Japanese as to method of approach in dealing with China, points of view being as wide apart as the known Kwantung Army policy of dealing with Chinese officials singly and locally for the purpose of profiting by a divided China, and the Foreign Office policy of dealing with a single Chinese Government held responsible for the whole of China. Between these two points of view it is impossible for the Legation at any given moment to foretell with any assurance of accuracy the direction which Japanese policy will take. For the moment it would appear that an attempt is being made by the Kwantung Army (together with those military in Japan with similar views), which appears to be guiding Japan's policy in its relation to China, to follow the Foreign Office policy, but at any moment this may change.

The Chinese, unable to meet Japanese force with force and faced with a financial crisis, are apparently at their wits' end to know what to do. They can be expected to comply as far as possible with Japanese desires, as they see no help either at home or abroad in their predicament. It must not be forgotten that the British within recent days have informed the Chinese that they can expect no assistance from

Great Britain

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

- 4 -

Great Britain unless Sino-Japanese relations improve.

Respectfully yours,

Nelson Trusler Johnson

Nelson Trusler Johnson.

710

NTJ/LES/rd

Original and 4 copies to the Department.
Copy to Tokyo.

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

May 1, 1935.

MSM

END

M/H

To note Reiping's brief
despatch no 3481 of March 30,
1935, which summarizes
comments made by a Japanese
civilian on Sino Japanese
relations with particular
reference to the attitude of the
Japanese military.

no action required

EW.

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



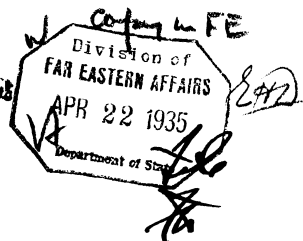
LEGATION OF THE
UNITED STATES OF AMERICA

No. 3481

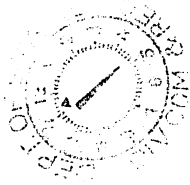
Peiping, March 30, 1935.

Subject: Views of a Japanese civilian on
Sino-Japanese relations.

793.94



PM RECD



APR 20 35

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793.94/6956

The Honorable

The Secretary of State,
Washington, D. C.

Sir:

FILED
MAY 3 1935

I have the honor to summarize comments made March 21, 1935, to a member of the Legation by a Japanese civilian (Mr. M. Yamakami, General Manager of the Peiping and Tientsin offices of the Rengo News Agency) with regard to the reported negotiations looking toward "collaboration" between China and Japan. Mr. Yamakami has close association with Japanese military officers.

Mr. Yamakami stated that the opinion of the Japanese military is not unified with regard to the

F/FG.

Chinese

- 2 -

Chinese policy of Mr. Hirota, the Japanese Foreign Minister. He amplified this statement by explaining that the so-called Control Group in the Japanese Army, of which the leader is General Hayashi, Minister of War, doubts the efficacy of the policy because it suspects that Chinese leaders will not actually entertain sincerely friendly feelings for Japan; that the so-called Left Group, headed by General Araki, former Minister of War, is opposed to the policy; and that the so-called Right Group, which is led by General Ugaki, Governor-General of Korea, and which is supported by Osaka capitalists, approves of the policy. (From what Mr. Yamakami said, it would seem that there is not very much difference between the Hayashi and the Araki groups and that the Kwantung Army in some aspects belongs to the one and in some aspects to the other.) Mr. Yamakami said that, as a result of the skepticism of the Hayashi group, General Isogai is being sent to China to replace General Suzuki as Military Attaché in order that he may watch those Japanese charged with the promotion of the Hirota policy and that other officers are being sent to China for the same purpose. He referred to General Isogai and these other officers as "Doihara men".

In speaking of the desires of the Japanese military with respect to China, Mr. Yamakami said that the military wants agreements of a strategic character in preparation for war with Russia, wants Japanese military officers to be attached to the National Government, and, in short, wants the Chinese military to become subservient

to

- 3 -

to the Japanese military. He expressed the opinion, however, that the Kwantung Army would not engage in military activities in the near future, saying that all representatives of that army who visit Peiping insist that their slogan now is "Manchukuo first", meaning that they must devote their efforts toward consolidating the position of "Manchukuo".

Mr. Yamakami stated that he believes the prestige of the military is declining somewhat in Japan. This did not seem to give him cause for optimism, however, as he expressed the belief that, if the decline becomes too serious, the Japanese military will seize upon some serious blunder committed by those promoting the Hirota policy to give them a pretext to establish a military government at Tokyo.

Respectfully yours,



Nelson Trusler Johnson.

710

LES-SC

Original and four copies to Department.

Copy to American Embassy, Tokyo.

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 26, 1935.

815D -
This appears to encourage or control over China by Japan which will, in my opinion, never be exercised to the extent indicated.
RCM
MMH

Peiping's despatch No. 3478 of March 29 1935, in regard to the advantages and disadvantages of economic cooperation to Japan and China.

The despatch states that it is presumed Japan's desire is to solve its economic problems by developing in China a source of raw material for Japanese factories and a market for Japanese merchandise and that, therefore, it is not unnatural she should turn to China from which country Japan needs raw cotton, sheep's wool, coal, iron-ore, wood-oil, tin wolfram and antimony and to which she would probably like to sell cotton, wool and silk manufactures, machinery railway materials and other manufactured goods.

The despatch sets forth the difficulties confronting Japan in its efforts to carry out a comprehensive program of "cooperation" as (1) to obtain raw materials from China in sufficient quantity will entail very considerable investments and extensive improvements of methods of transportation and production; (2) China is using in increasing amounts her own raw materials while certain raw materials desired by Japan are not found in China or only in limited quantities;

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

-2-

(3) the purchasing power of the Chinese is decreasing due to the continuing depression and the financial situation; (4) certain Japanese manufactures are in competition with Chinese manufactures; (5) it would be necessary for the Japanese to control permanently these various enterprises.

The advantages to Japan are stated to be (1) the Chinese constitute a vast potential market; (2) Japan would have at her disposal an unlimited supply of cheap labor; (3) she could make any type of industrial agreement with the Chinese she desired; (4) transportation costs between Japan and China are cheaper than between Japan and western markets; (5) other nations would be unable to compete with Japan in China; (6) Japan would be able to retard Chinese industrialization, thereby decreasing the threat to her own trade.

Advantages to China might presumably be, the despatch states; (1) her industries would be under Japanese direction and therefore more efficiently administered; (2) her transportation system would be of necessity improved; (3) her production of raw materials would be increased, etc. Disadvantages would be, (1) increased efficiency of transportation and production would enrich the Japanese rather than the Chinese concerned; (2) Chinese producers and workers would be exploited; (3) her industrial development ^{would be} stultified and her raw

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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

-3-

materials perhaps exhausted. The despatch concludes that from the foregoing it would appear that Japan would derive the principal benefits from "cooperation."

No action required.

BFS
EFS

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



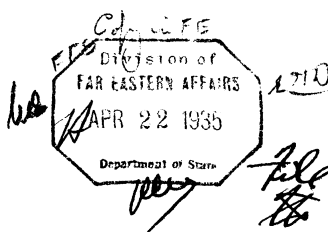
LEGATION OF THE
UNITED STATES OF AMERICA

No. 3478

Peiping, March 29, 1935.

Subject: Advantages and Disadvantages of
Economic Cooperation to Japan
and China.

793.94



1935

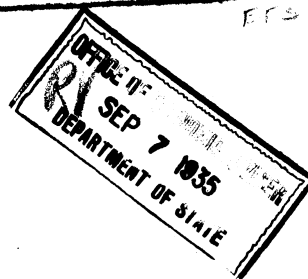
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9/6/35
DEPARTMENT OF STATE
JUL 10 1935
ASSISTANT SECRETARY
OF STATE

The Honorable

The Secretary of State,

Washington, D. C.



793.94/6357

DG

FILED

SEP 19 1935

Sir:

Referring to the persistent reports of Japanese efforts to persuade the Chinese authorities to "cooperate" with Japan, I have the honor to comment on the possible economic advantages and disadvantages to Japan and to China in case such a policy of "cooperation" should be effected to the degree regarded by the Japanese concerned as necessary for their purpose. (Political and military aspects of the situation will not be dealt with in this despatch.)

The purpose of Japan, it is presumed, is to solve

Japan's

- 2 -

Japan's economic problems by developing in China a source of raw materials for Japanese factories and a market for Japanese merchandise; the necessity which impels the Japanese in this economic program is the maintenance of their country as a world power; and the degree of "cooperation" will depend upon the requirements of Japan's program for the industrialization of Japan, industrialization being the means by which Japan's present position as a world power can be maintained.

Behind the purpose, the necessity, and the degree of cooperation lie the two primary facts that Japan's resources are limited and that Japan is overpopulated. Additional factors are that Japan's population is rapidly increasing, that the standard of the people's living is rising, that a new responsibility has been undertaken in assuming charge of thirty million Chinese in "Manchukuo", that barriers are being erected by Western powers which threaten Japan's present markets and make development of other markets imperative, and that if economic expansion should fail Japan will sink to a position of secondary importance in the world.

For the solution of these problems, it is natural that Japan should look to China. China is nearby, has raw materials needed by Japan, has great potentials as a market for merchandise, is militarily and politically ineffective, and is too distant for Western powers to obstruct successfully Japanese ambitions. (It may be noted that these advantages were possessed by Manchuria in 1931, when Japanese seized control of that area, and were part of the motivation of that seizure. These

advantages

- 3 -

advantages still exist with respect to Manchuria but the results of the Japanese adventure there have not as yet improved the Japanese economic situation, which is probably one of the principal reasons why the Japanese have now turned to China Proper for a solution of their economic problems.)

Among those materials which Japan needs for its manufactures and which China has in varying degrees of quantity are raw cotton, sheep's wool, coal, iron-ore, wood-oil, tin, wolfram, and antimony. Among those articles which it may be supposed Japan would like to sell to China are cotton, wool, and silk manufactures, rayon, machinery, railway materials, and, in fact, almost any of its manufactured goods.

There are several difficulties confronting Japan in efforts to carry out a comprehensive program of "cooperation". (1) For Japan to obtain certain of China's raw materials to a degree necessary to Japan's fundamental needs would require in certain important instances considerable monetary investment for the improvement of production methods, of transportation facilities, and of the quality of produce. For example, in making China the source of her raw cotton, Japan would need to increase the acreage and to improve the quality of Chinese cotton, while to obtain coal cheaply and in needed quantities from Shansi, which is the largest field of good coal in China, railway construction and investments in machinery would be requisite. (2) China is using in increasing amounts her own raw materials, which Japan needs. (3) Certain raw materials wanted by Japan are not found in China and other necessary

- 4 -

necessary raw materials exist only in limited amounts.

(4) The purchasing power of the Chinese is decreasing with the continuing depression and financial crisis, for an improvement of which financial outlay is necessary. Furthermore, a throttling of Chinese industry by the Japanese, which would presumably be one result of "cooperation", might tend to lower Chinese purchasing power to an even greater degree in certain aspects. (5) Certain Japanese manufactures are in competition with Chinese manufactures, such as silk and cotton products. (6) Japanese personal direction and control of enterprises would have to be permanently maintained as otherwise, as soon as such Japanese left the scene, the Chinese would cease to exert themselves on behalf of Japanese interests.

The advantages to Japan from effective "cooperation" have already been implied. (1) The Chinese form a vast potential market and, as a result of Japanese improvements, Chinese purchasing power in certain aspects might be increased. (2) Japan would have at her disposal an unlimited supply of cheap labor to man Japanese-controlled factories located in China. (3) Japan could make practically any industrial agreements with Chinese which Japan might desire. (4) Transportation costs between Japan and China are cheaper than between Japan and Western markets. (5) Other nations would be unable to compete with Japan in China. (6) Japan would be able to retard Chinese industrialization, thereby decreasing that threat to her own trade, reserving for her own use raw materials which would otherwise be consumed by Chinese industries, and selling Japanese-manufactured goods to Chinese who would otherwise

- 5 -

otherwise buy Chinese-made articles.

The advantages to China would presumably be as follows: (1) China's industries would be under Japanese direction and therefore more efficiently administered. (2) China's transportation system would be of necessity improved. (3) China's production of raw materials would be increased and their quality and method of production improved. (4) The Chinese, under Japanese direction, would become more efficient in production and in manufacture. (5) There would be increased employment. (6) China would be better prepared, if and when the Japanese yoke was discarded, to develop economically.

The disadvantages would be perhaps as follows:

(1) Increased efficiency and improved transportation and production would enrich the Japanese rather than the Chinese concerned. (2) Chinese producers and workers would be exploited and could not defend themselves against such exploitation because of unity of Japanese economic policy and because of absence of third-party competition. (3) China's industrial development would be stultified. (4) China's raw materials, of which some important ones are limited in amount, would be used and perhaps exhausted for the enrichment of a foreign nation. (5) Government revenue would be decreased because Japanese-controlled industries could not be taxed as heavily as Chinese-controlled industries and because tariff rates would be presumably advantageous to Japanese rather than to Chinese interests.

From the foregoing it would appear that Japan would derive the principal benefits from "cooperation" and

that

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

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that success in this policy would seem to depend upon whether Japan would be able to make out of the venture (over and above her necessary investments in connection with carrying out the policy) enough to restore Japan's own economic situation in time to forestall economic and financial collapse at home. With so many varying and conflicting factors being involved, with the probability that new factors may be introduced, and with the situation still largely hypothetical, the question can only be suggested. Any attempt at a solution at present would be confined to speculation.

Respectfully yours,

Nelson Trusler Johnson
Nelson Trusler Johnson.

710

LES/rd

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

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 UNDER SECRETARY

U.S. DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

April 30, 1935.

U: Mr. Phillips

S: Mr. Secretary.

It is believed that the attached despatch from Minister Johnson of March 21, 1935, in regard to Sino-Japanese relations and, in particular, his summary of conversations held with representative official and unofficial persons following his return to China will prove of interest. It is suggested that the despatch and the summary be read in their entirety.

ETS/VDM

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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 24, 1935.

FE
RCH:
MCH:
SKH:

Peiping's despatch No. 3473 of March 21, 1935, enclosing copies of 22 memoranda covering conversations between the Minister and responsible merchants and officials of the Chinese Government which occurred during the period February 13 to March 15 in Shanghai, Nanking and Peiping, upon the Minister's return from leave in the United States.

The despatch states that it will be noted from these conversations that there has been a change in Sino-Japanese relations and that it would appear that the Japanese military are the most active agents in bringing about this change, still controlling Japanese policy vis-a-vis China. Furthermore, these agents are military officers with whom the regular representatives of foreign governments cannot maintain proper contact, not only because of the irregularity of their status but because the Japanese military officers maintain a studied aloofness toward all foreigners and toward all Chinese except those with whom they choose to make contact. In regard to the Chinese with whom the Japanese military maintain relations, the despatch points out that they are

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

- 2 -

are generally persons of known or reputed pro-Japanese leanings, unknown to the regular channels of foreign intercourse with China.

The Minister states that in these conversations he took particular care not to evince any excessive interest in the matters discussed and that he found an unwillingness on the part of responsible Chinese to be specific. From these conversations the Minister states that it may be safely assumed:

(1) that the Japanese military and particularly the Kwantung Army are now seeking economic advantages in China by peaceful negotiation;

(2) that some sort of trade arrangement will in all probability be concluded whereby, by the granting of credit and reciprocal tariff advantages, Japan will take certain Chinese products in return for Japanese manufactured goods;

(3) that some financial arrangement will probably be concluded whereby Japanese cotton experts will be employed in the cotton growing areas of north China;

(4) that Japan will seek authority to construct a railway which will give her access to and control over the coal in

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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

- 3 -

in the province of Shansi;

(5) that Japan will obstruct any effort of China to develop an iron industry in the Yangtze valley except under Japanese control; and

(6) that China will use every effort to do away with the boycott of Japanese goods.

The Minister adds that to accomplish these purposes Japan will hold over Chiang Kai-shek and his Government the threat of obtaining these ends by dealing with the local authorities.

It is suggested that the interesting summary enclosed with this despatch be read in its entirety and also the conversations tagged.

FE: EFS/VDM

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

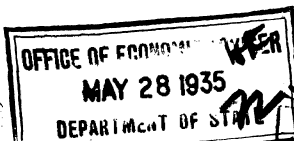


LEGATION OF THE
UNITED STATES OF AMERICA

No. 3473

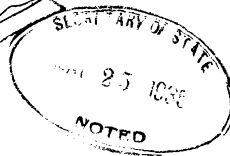
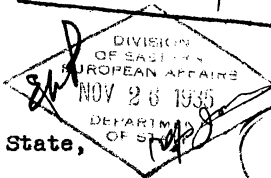
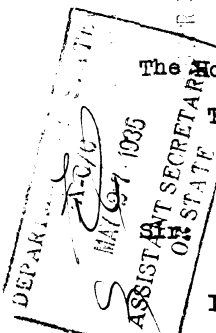
Peiping, March 21, 1935.

Subject: Sino-Japanese relations.



Far Distribution Check		Yes	No
Grade			
For	X	TO BE IN U.S.A.	V

The Honorable
The Secretary of State,
Washington.



I have the honor to enclose herewith a series of
2/23 twenty-two memoranda covering conversations with re-
sponsible merchants and officials of the Chinese Gov-
ernment which I had during the period February 13th
to March 15th in Shanghai, Nanking and Peiping upon
my return from leave in the United States. These con-
versations related to the financial crisis which has
developed in Shanghai and to a change which has taken
place in Sino-Japanese relations. Both these ques-
1/ tions are related in the enclosed summary. (The memo-
randum of a conversation which I had with Vice Minis-
ter of Foreign Affairs T'ang Yu-jen on February 23rd
was transmitted with the Legation's despatch No. 3420
of March 7th.)

The Department will note from what was said to

me

793.94/6958

DEPT OF STATE
DEC 2 1935

793.94/6944

- 2 -

me that there has really come about a change in Sino-Japanese relations, and that it would appear that the Japanese military are the most active agents in bringing this change about, still retaining the initiative in and control of Japan's policy toward China. The agents, self appointed or chosen to make this policy effective, are military officers with whom the regular representatives of foreign Governments cannot maintain proper contacts, not only because of the irregularity of their status, but also because the Japanese military officer maintains a studied aloofness toward all foreigners and toward all Chinese except those with whom he chooses to make contacts. The Chinese with whom the Japanese military maintain relations are generally persons of known or reputed pro-Japanese leanings, unknown to the regular channels of foreign intercourse with China. Even the names of these people are for the most part undivulged.

In having these conversations I took particular care not to evince any excessive interest in the matters discussed. I particularly refrained from direct questions, and statements were made to me entirely upon the initiative of the Chinese. I found evidence of an unwillingness on the part of responsible Chinese to be specific in this matter; there was an evident fear of revealing sources, and apparently a general desire to create in my mind the impression that no actual or responsible negotiations had taken place.

From these conversations I think it may be safely assumed:

1. That the Japanese military, and particularly

the

- 3 -

the Kwantung Army, have concluded to seek economic advantages in China by peaceful negotiation.

2. That we may expect them to work out some trade arrangement whereby, by grant of credit and reciprocal tariff advantages, Japan will take certain Chinese products in return for Japanese-manufactured goods.

3. That Japan will work out with the Chinese some kind of an arrangement which will include financial assistance, whereby Japanese cotton experts will be employed in the cotton-growing areas of North China for the purpose of improving the yield and extending the acreage of China's cotton.

4. That Japan will seek authority to construct a railway which will give her access to and control over the coal that is available in the province of Shansi.

5. That Japan will obstruct any effort of China to develop any iron industry in the Yangtze Valley except under Japanese control and with Japanese assistance.

6. That China will use every effort to do away with the boycott of Japanese goods which for such a long time has prevailed among the Chinese.

To accomplish these purposes Japan will hold over Chiang Kai-shek and his Government the threat of obtaining these ends by dealing with local authorities and thus destroying the very life blood of the Chinese Government.

Perhaps it is pertinent in this connection to add that recently the British Government, in considering a proposal made to it by the Chinese for a

loan,

- 4 -

loan, served notice on the Chinese Government that the British Government would be prepared to consider financial aid to China at this time only in case such financial assistance were accomplished by international co-operation, and then only with the participation of Japan and contingent upon China settling differences with Japan.

As regards Soviet Russia, it is my belief that the Soviet Government is only too happy to have Japan occupied in Asia, for this will serve to postpone any threat which Japan may offer to Russian interests.

Respectfully yours,

Nelson Trusler Johnson

NELSON TRUSLER JOHNSON

1 copy m. Phillips
cc to A-M
2✓
Enclosures:

1. Summary on Sino-Japanese relations, based on conversations as per enclosures 2-23.

2/23: Memoranda of conversations:

2. February 13th, with Mr. J.K. Choy, Commissioner of Finance, City Government of Greater Shanghai, subject: "Danger of Japanese domination of China".
3. February 13th, with Dr. Wang Chung-hui, Chinese member of Permanent Court of International Justice at The Hague, subject: "Sino-Japanese relations".
4. February 13th, with General Huang Fu, subject: "Sino-Japanese relations".
5. February 14th, with Mr. Arthur Bassett, subject: "Financial situation".
6. February 14th, with Mr. Chang Kia-ngau, Manager of Bank of China, subject: "Local silver situation in Shanghai".
7. February 15th, with Mr. Arthur Young, Adviser to the Chinese Ministry of Finance, subject: "Financial situation".

8.

- 5 -

8. February 16th, with Mr. Lockhart, Adviser to the Chinese Ministry of Finance, subject: "Financial situation of China".
9. February 16th, with Mr. Tsuyee Pei, of Bank of China, subject: "Financial situation".
10. February 16th, with Mr. Paul S. Hopkins, President of Shanghai Power Company, subject: "Local financial situation".
11. February 16th, with Mr. F. J. Twogood, of Standard Oil Company of New York, subject: "Silver situation".
12. February 17th, with Dr. Sun Fo, President of Legislative Yuan, subject: "Financial situation".
13. February 17th, with Dr. W. W. Yen, Chinese Ambassador to the U.S.S.R., subject: "Sino-Japanese relations".
14. February 17th, with Dr. H. H. Kung, Minister of Finance, subject: "Financial situation".
15. February 20th, with Mr. T'ang Yu-jen, Vice Minister for Foreign Affairs, subject: "Conditions in China".
16. February 21st, with Mr. Wang Ching-wei, Minister for Foreign Affairs, subject: "Sino-Japanese relations".
17. February 21st, with Mr. Y. Suma, Japanese Consul General, subject: "Sino-Japanese relations".
18. February 21st, with Mr. Chen Kung-po, Minister of Industries, subject: "Sino-Japanese relations".
19. March 4th, with Sir Alexander Cadogan, British Minister, subject: "British attitude toward Japan's activities in Asia".
20. March 7th, with Mr. K. Wakasugi, Counselor of Japanese Legation, subject: "General Doihara".
21. March 7th, with Mr. K. Wakasugi, subject: "Financial aid to China".
22. March 15th, with Mr. A. Bitner, Counselor of Soviet Embassy, subject: "Sino-Japanese relations".
23. March 15th, with Mr. A. Bitner, subject: "Japanese-Soviet relations".

Copies to Tokyo and Nanking.

NTJ:EA

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

Peiping, March 21, 1935.

SINO-JAPANESE RELATIONS

SUMMARY

based on conversations memoranda of which are attached.

Upon my return to China in the middle of February of this year from a vacation in the United States I found that during the four months of my absence a distinct change had occurred in Sino-Japanese relations. There was a great deal of excited discussion, not only in Japan, but also in Shanghai and Nanking, and in the Chinese press generally, of a more friendly atmosphere developing in the relations between the two countries. The discussion centered around Sino-Japanese "collaboration" in economic fields.

It appeared to be the opinion of responsible Chinese with whom I talked in Shanghai and in Nanking that the initiative in this new turn of events had come from the Japanese side. Reference was made to statements which First Secretary of Legation Suma stationed in Nanking had made in the course of visits to General Chiang Kai-shek, Wang Ching-wei, Acting Minister of Foreign Affairs, Chen Kung-po, Minister of Industries, and H. H. Kung, Minister of Finance. Mr. Suma made these calls upon his return to China after a vacation in Japan, and presumably he had the latest information of the Japanese attitude learned from responsible authorities. At about the same time the Japanese Military Attaché, Suzuki, called upon responsible

Chinese

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Chinese officials and is reported to have made statements regarding Japanese policies. During the time that I was in Shanghai and Nanking, Major General Doihara, formerly employed in China as an adviser to the Chinese Government and recently attached to the Kwantung Army, who in recent years has achieved a position of mysterious stature with a reputation for intrigue with Chinese worthy of an Oppenheim story, was making a tour of China visiting high Chinese officials North and South, after having attended in Dairen a much-publicized conference with fellow officers of the Kwantung Army.

Chinese reaction to these visitations was of two kinds. In the first place, there was expressed a general belief, on the part of those not immediately connected with the conversations, that these spokesmen of Japanese policy had delivered what amounted to an ultimatum, to the effect that the Chinese must show an immediate appreciation of Japan's pacific and friendly attitude or take the consequences. It was said that the Chinese were given six months in which to meet what were purported to be the Japanese terms.

On the other hand, among those Chinese who seemed to be closest to the conversations in question, I could get no evidence of any demands having been presented, although all expressed a certain amount of conviction to the effect that these gentlemen had made it evident that Japan is intent upon a policy which, if successful, would in the end result in economic if not political control in China.

Speculation varied as to the reason why the Jap-

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anese military should have changed their policy in regard to China at this time. It was generally believed that the military, having accomplished all that they had intended to accomplish in Manchuria and North China, were now prepared to look at China proper, not so much from the point of view of military conquest as from the point of view of economic conquest. It was said that there was evident in Japan a certain loss of prestige on the part of the military. (That may be indicated by the fact that the Japanese Government appears to have transferred to the Kwantung Army in Manchuria most of those figures, such as Itagaki and Minami, who were originally involved in the Japanese adventure, thus separating them from direct control of military policy at home.)

And it was argued that, as a corollary to this loss of prestige in Japan, there was a revival of influence on the part of Japanese business and civilian leaders - particularly of Osaka merchants, all of whom have been in favor of more peaceful methods in Japan's China policy - with a view to obtaining a return of China's good will and a better market for Japanese goods. There seemed to be a belief that among the merchant and civilian leaders in Japan there was a growing apprehension not only regarding Japan's internal economic situation, but also regarding the future of Japan's much-needed foreign market for the products of her industries. It was said that the increasing handicaps placed by the United States and the British Empire and other countries upon Japanese goods are forcing Japanese industries back upon China as an out-

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let for their products. It was argued that the Japanese military, perceiving this trend, and anxious to retain their position of leadership in Japanese domestic politics and the direction of Japan's policy toward China, took the initiative, thus robbing the civilian and merchant element in Japan of any prestige which such a move might give.

Another reason given for this change in the attitude of the Japanese military was that in March of this present year (1935) Japan's resignation from membership in the League would become effective, while in December her denunciation of the Washington Treaties would also become effective. The Japanese military leaders were therefore anxious to clean up questions pending with China before the end of the year, and if possible face the questions that would present themselves in 1936 with a peaceful China behind them.

In all accounts that came to me of the conversations which Suma, Suzuki and Doihara had with Chinese, I gathered that they intended to convey to the Chinese that they were speaking for the Japanese Government; and I wish to say in this connection that in all conversations which I have had with Mr. Suma I have been impressed with the fact that he intends to convey the idea that he speaks for Japan. I have never heard him mention to me the activities or the statements of the Minister, who in all of these matters seems to play a very minor rôle if any.

From the Chinese side the reaction to these methods appears to be one of frightened acquiescence. In the first place, they feel only too poignantly their inability

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1 inability to meet Japanese force with force, and with hatred in their hearts they seek whatever means offers to placate Japanese force. On the other hand, in recent months they have been terribly reminded of the economic weakness of the Government, by the reaction of silver in the possession of Chinese to the silver-purchasing policy of the United States.

When the white metal was cheap it came in large quantities to Shanghai for investment; the security of the International Settlement tended to concentrate the silver there. Such quantities were received from abroad and the Chinese interior that it was begging for opportunities for investment. Under these conditions the Chinese Government found it easy to finance Government enterprises.

When the price of silver went up it became immediately advantageous for Shanghai merchants to use their accumulation of silver to meet obligations abroad. There was also the temptation to realize at once the profits which the rising price of silver offered to those who had bought silver when it was around twenty-four cents an ounce. The result was a flight of silver from Shanghai, and the disappearance of China's only market for her Government securities. In other words, the Government had put too many eggs in its Shanghai basket, and it now found itself in desperate straits.

It was natural enough that in this situation the Japanese advances along more peaceful lines should be welcomed. Although it would appear that no Japanese loan has been offered, at the same time it is appar-

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ent that Japanese credit contingent upon China's efforts to kill anti-Japanese feeling in China would be immediately available, provided that, in return for Japan's taking more Chinese products, the Chinese would make more of their purchases from Japan.

The Chinese present two attitudes of mind: the bankers and certain members of the Government are very much opposed to a loan; but a desperate Minister of Finance, abetted by the former Minister T. V. Soong, has been making frantic efforts - the one in America and the other in England - to obtain financial assistance to tide the Government over the present crisis.

Chinese students of the situation were and are convinced that something must be done toward increasing the sale abroad of Chinese goods. They appreciate the fact that industrialized Japan offers the closest and most likely market for China's raw materials. They are therefore prepared to meet Japanese approaches half way. But they are conscious of the fact that certain industries in China are rapidly growing in their ability to meet Chinese demand for many types of foreign products, especially those for which Japan will seek a market from her own industries. Herein will be found factors that will offer serious difficulties to both Japan and China in any efforts that they may undertake at economic collaboration. Chinese cotton is available in increasing quantities and in better quality for Japanese use, but it is not yet available in quantity much beyond present consumption in China, and in quality it is still below the requirements for goods of quality superior to that for which China chiefly offers

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offers a ready market. Any increase in cotton acreage must be at a sacrifice to the production of food in a country where the margin between the number of mouths to be fed and the quantity of food produced is rapidly decreasing. Japan will have to devise means of supplying food to the cotton farmers; otherwise, in the cotton growing districts we may find the need of food acting as a limitation upon the acreage available for cotton.

It is of course possible that the better organized Japanese industry, plus lower tariffs which the Japanese may force the Chinese to fix for Japanese products, may result in throttling Chinese industry, whether in cotton, silk, cosmetics, or heavy industries. It is difficult, however, to see how Japan can expect standards of living in China to increase to the point where China can offer the more expensive market which Japanese industry is beginning to require, if such a policy of throttling Chinese industry is pursued.

"Manchukuo" presents an economic problem to Japan which is going to be difficult to solve. In the first place, the large Chinese population in Manchuria will try by every means within its power to remit its earnings to the old homes in China, for Manchuria's population is essentially connected - economically and ethnologically - with China. During the past year Japan has spent in Manchuria over 200,000,000 Yen for construction work, and during the same period Chinese labor in Manchuria has, it is reported, remitted to China something like \$150,000,000. Manchuria no longer takes the products of China's cotton mills, as was

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the case before 1931. It is reported that the Manchurian market for piece goods is now being supplied by Japanese-controlled mills in Shanghai, which, by some arrangement with the Japanese Government, send their products to Japan for exportation to Manchuria as Japanese products. These mills in Shanghai are understood to be controlled by Japanese textile industries in Japan, but the material and labor used in the production of the goods is Chinese, so that it is doubtful whether the Japanese textile industry benefits in this matter beyond the middleman's profit, and the transaction certainly does not appear to offset remittances which come from Manchuria to China.

Other raw products which China might possibly furnish Japan are iron, coal and oil. China of course is anxious to develop these resources for her own use, but it remains to be seen whether she will be able to command the wherewithal at home or the necessary financing and assistance from abroad to enable her to do this, for I believe that the Japanese will effectively obstruct any effort of China to accomplish this purpose with the help of any one but herself, and of course this would mean that Japan would automatically obtain control over the resource in question. It is known that Japan is at the present time seeking to obtain China's permission to build a railway either from Tangku or Tsinan for the purpose of tapping the large coal reserves of Shansi. This would give Japan an excellent supply of what is understood to be good coking coal. As regards oil, the only known supplies of this product are in Sinkiang, an area much more likely to come under Soviet control than Japanese.

N. T. J.

NTJ:EA

Danger of Japanese domination of China.

Shanghai, February 13, 1935.

Conversation with: Mr. J. K. Choy, Commissioner of
Finance, City Government of
Greater Shanghai.

Mr. Choy dwelt at length upon the financial distress facing the Government and upon the condition of bankers in Shanghai.

He stated that the Japanese pressure was such that unless the Chinese Government obtained financial assistance from some outside source other than the Japanese there was no doubt in his mind that China would become a vassal of Japan. He said that in his opinion the young officers now controlling the destinies of Japan were ambitious to extend Japanese control over China and would be successful in their ambition because they would be able to obtain control over the Chinese armies. Such an eventuality would, in his opinion, produce a real yellow peril, because Chinese soldiers led by Japanese officers could do nothing.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Sino-Japanese relations.

Shanghai, February 13, 1935.

Conversation with: Dr. Wang Chung-hui, Chinese member
of the Permanent Court of International
Justice at The Hague.

By arrangement I called on Dr. Wang Chung-hui at his home and found him preparing to leave within two or three days for The Hague. He stated that it was his intention to travel by way of Washington, but that he would break his journey in Japan as he wished to see and talk with leaders at Tokyo.

In discussing the Japanese attitude toward China Dr. Wang stated that the year 1935 was to be a critical year for China, as the Japanese were determined to settle all outstanding questions before Japan's denunciation of the League and Covenant became definitive in May, 1936, or before her denunciation of the Washington Treaties became effective in December of this year. He said that Japan wished to be free of all problems in China, in order that she might face with undisturbed mind the situation which would then confront her in her relations with Europe. Dr. Wang expressed the conviction that Japan was ambitious to dominate and control the destiny of China.

I asked Dr. Wang about the situation in Canton and the relations between Canton and Nanking, and he informed me that this situation was somewhat better, but that the difficulties separating Nanking from Canton had not been entirely smoothed out.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Sino-Japanese relations.

Shanghai, February 13, 1935.

Conversation with: General Huang Fu.

By arrangement I called at the home of General Huang Fu. After some conversation about present conditions in America and the silver policy which the United States is pursuing under the Silver Purchasing Act, General Huang stated that although political conditions were better in China and Government was stronger, the economic situation was far from sound. The farmers had suffered last year in the Lower Yangtze Valley and it was necessary for them to buy seed for the coming year. China's silver was gone; it was difficult to know what could be done about this. The financial situation of the Government was threatened because of the inability of Chinese bankers to help due to the dearth of silver in Shanghai.

He stated that the year 1935 would be a critical year for China, because the Japanese, beginning to realize the difficulty of sending their people or their products abroad, were being thrown back on China, and China was in no position to resist. He stated that the Japanese did not want the Chinese to have any contact

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or traffic with foreign countries; that they in effect proposed to build a Japanese wall around China and monopolize China's trade, foreign and domestic, for their own benefit. He referred to the effect of the high price of silver upon the financial and business situation in Manchuria, and stated that to his knowledge the Japanese were making detailed investigation into the economic situation in and around Shanghai which had been precipitated by the rise in silver and consequent flight of silver from China.

General Huang suggested that I see Mr. Chang Kia-ngau, Manager of the Bank of China, who, he said, could give me a more detailed account of the situation, and he telephoned to Mr. Chang to make an appointment for me.

General Huang stated that he was suffering from low blood pressure and that at the present time he was under the care of a physician who was trying to raise his blood pressure, as it was going to be necessary for him to have another operation on his nose. He said that he expected to go to Mokanshan for a time before taking up his appointment as Minister of the Interior in Nanking.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Financial situation.

Shanghai, February 14, 1935.

Conversation with: Mr. Arthur Bassett.

In a conversation to-day Mr. Bassett stated that the trouble in Shanghai was due chiefly to a collapse in the recent land boom at Shanghai. He said that land speculators were the chief sufferers.

After all, the price of silver is still low in terms of the old United States dollar. It was only when you took the devalued dollar into account that the present price of silver seemed too high.

It had been a mistake, he said, for the Chinese Government to put an embargo on the export of silver. By this he meant the added export tax. Silver had always been free to move here and there in China, and in his opinion nothing should have been done to stop this freedom of silver.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Local silver situation in Shanghai.

Shanghai, February 14, 1935.

Conversation with: Mr. Chang Kia-ngau, Manager of the
Bank of China.

Mr. Chang Kia-ngau called by arrangement through General Huang Fu. I told him that the Administration was very much concerned over the possible effects of our silver purchasing policy in China, and that we hoped this policy might be carried out with as little damage to the Chinese financial structure as was possible.

Mr. Chang stated that he felt the present price level for silver, that is, fifty-five cents United States currency an ounce, was an equitable one; and he hoped the United States Government in carrying out its silver purchasing policy would contrive to stabilize the price somewhere at its present level. He expressed the opinion that if this could be done the Shanghai situation would work itself out. He thought perhaps if the American Government stopped buying whenever silver was strong and purchased whenever the market was weak, this end might be accomplished.

Mr.

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Mr. Chang stated that up until last fall the cheapness of silver had encouraged owners of silver to bring it to Shanghai and invest it. Furthermore, foreign companies doing business in China had kept their profits in China for investment purposes. It had been profitable for them to do this rather than liquidate some of their obligations abroad, but when the price of silver began to climb to forty-five cents there ensued what amounted to a flight of capital. Parts of the shipments abroad had gone out to settle the balance of payments, high silver making this profitable policy. Additional quantities of silver had been shipped out for the purpose of sale in order to enjoy the immediate profit. Other reasons for shipping the silver away had been fear of the Chinese military and the rumors of the intention of the Chinese Government either to inflate its currency or to devalue the dollar.

Mr. Chang pointed out that devaluation was practically impossible, as the currency of silver which it was proposed to devalue was a metal practically entirely in the hands of private individuals and beyond the control of the Government itself. Private holders of silver in bars, shoes or ornaments would be loath to exchange that silver merely for newly-minted silver. The situation was not like that existing in the United States,

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states, where the gold used for currency was practically entirely in the hands of Government, and, so far as the currency-using public was concerned, represented by paper based on that gold and issued by or under the direct supervision of the United States Government.

Mr. Chang further pointed out that at the present time the banks in Shanghai had barely sufficient reserve in metal to meet issues of notes and outstanding obligations in the form of credits to depositors.

I gathered that Mr. Chang did not think a loan was necessary at this time.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Financial situation.

Shanghai, February 15, 1935.

Conversation with: Mr. Arthur Young, Adviser to the
Chinese Ministry of Finance.

Mr. Young called and in the course of conversation the question of the financial situation of Shanghai came up. He stated that the Government was in difficulties because of the tightness of money in Shanghai, due to the fact that most of the silver in Shanghai had gone with the rise in the price of silver.

Mr. Young mentioned a proposal which he said Minister of Finance Kung had laid before the Government of the United States. He did not give me any details in regard to this proposal, saying that he would rather I get them from Dr. Kung himself. He expressed the thought that this proposal was in line with what the Chinese Government might do to meet the local crisis.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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Financial situation of China.

Shanghai, February 16, 1935.

Conversation with: Mr. Lockhart, adviser to the
Chinese Ministry of Finance.

Mr. Lockhart called as a matter of courtesy and in the course of conversation we discussed the present financial crisis. He pointed out that China's exports, according to his recollection, had dropped to thirty-eight per cent of the figure for 1931, while her imports had dropped to approximately fifty-four per cent of the figure for 1931. He stated that, aside from the local difficulties at Shanghai, China was in for a period of deflated prices because her ability to pay for the excess in balance of payments against her was failing, either as regards goods or silver.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Financial situation.

Shanghai, February 16, 1935.

Conversation with: Mr. Tsuyee Pei, Bank of China.

By arrangement through Mr. Paul Hopkins I went to see Mr. Pei in a private suite at the Cathay Hotel at four o'clock to-day.

Mr. Pei stated that just at the moment the most important thing was to reestablish confidence in Shanghai. The trouble was that every one was upset and nervous; money was scarce; there was a tendency to hoard; and some means had to be devised to lift this weight of fear from business in Shanghai. He told me that he and a number of other bankers were going to see Dr. Kung this evening for the purpose of requesting him to take off the export tax on new silver brought into Shanghai; that is, any silver newly imported into Shanghai might be exported freely without payment of export tax. Mr. Pei hoped that such a move might facilitate the return of silver to Shanghai where it was now so much needed.

Mr. Pei expressed the opinion that the United States Government might assist the local situation by appointing a fiscal agent to reside in Shanghai for the purpose

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purpose of purchasing silver on behalf of the United States Government, it being understood that he would hold such purchases in Shanghai, using the American banks as depositors, and supervise the use of the silver in Shanghai to free money now frozen in real estate.

Mr. Pei expressed himself as of the opinion that the Chinese Government was chiefly responsible for the lack of confidence evidenced in commercial and banking circles in Shanghai, because of the import tax which had been imposed in a time of panic. Mr. Pei also expressed the opinion that the Chinese would pass through the crisis if confidence could be restored.

Mr. Pei stated that he felt any talk of a loan was useless, as a loan or a gold or wheat credit would only become the object of attack by various political parties, and would surely provoke the political opposition of the Japanese. It would be better if China could work out the situation some way by herself, with such mechanical aid as the United States might give in the way suggested above.

Mr. Pei stated that the National City Bank has been cooperating faithfully and hopefully throughout the crisis. With reference to the Hongkong Bank, he stated that the Hongkong and Shanghai Banking Corporation at Hongkong had expanded its issue of notes in order to take care of the demand for Hongkong notes arising out of the failure of confidence in Canton's money policies. Under the circumstances the Hongkong and Shanghai Banking Corporation at Shanghai had had to supplement the Hongkong Bank's silver reserves by shipments to Hongkong.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Local financial situation.

Shanghai, February 16, 1935.

Conversation with: Mr. Paul S. Hopkins, President
of Shanghai Power Company

I went to see Mr. Hopkins, and he elaborated over what he had told me over the telephone yesterday, pointing out that conditions in Shanghai were very bad indeed due to the scarcity of silver. In fact, he thought that there was little to be optimistic about, either now or in the immediate future, in so far as finances were concerned.

Five months ago silver was cheap and plentiful in Shanghai, and it was possible to sell the company's bonds without difficulty; in fact, the demand was greater than they had any need for. To-day because of the tightness of the money market it was impossible to dispose of five per cent bonds in Shanghai. People were paying as high as thirty per cent for cash.

Mr. Hopkins stated that he did not know just what could be done about the situation. He thought perhaps it might be possible for the United States to establish a credit for China; or the United States might purchase its silver in Shanghai and use such purchases as a credit, thus aiding in stabilizing the local situation and restoring confidence.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Silver situation.

Shanghai, February 16, 1935.

Conversation with: Mr. F. J. Twogood, of Standard
Oil Company of New York

I asked Mr. Twogood what effect the present high price of silver had had upon the business of the Standard Oil Company.

He expressed himself as being contented with the situation as favorable to the company. He admitted that the local situation was very dangerous, but felt that if the Government were to remove the export tax on silver the situation might be helped. He could see no danger of a further flight of silver if the Government were to go back to its policy of letting silver flow freely where needed.

Nelson Trusler Johnson,
American Minister.

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Financial situation.

Shanghai, February 17, 1935.

Conversation with: Dr. Sun Fo, President of the
Legislative Yuan

I called on Dr. Sun Fo this morning by arrangement for the purpose of paying my respects, and in the course of my call conversation turned upon the financial crisis which has developed in Shanghai. Dr. Sun Fo talked about the situation, pointing out the straits in which the Government found itself, and asked what the attitude was in the United States.

I explained to Dr. Sun Fo the mandatory character of the Silver Act, and the necessity for the Secretary of the Treasury under that Act to consummate the purposes of the Act. I told him that the Administration was alive to the critical situation which had arisen in China, and was very anxious to find some means of assisting. The difficulty was that there seemed to be no way in which it could help, although it was anxiously exploring every suggestion that was offered.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Sino-Japanese relations.

Shanghai, February 17, 1935.

Conversation with: Dr. W. W. Yen, Chinese Ambassador
to the U.S.S.R.

I called upon Dr. W. W. Yen and found him preparing to return to his post at Moscow. In the course of conversation the question of Sino-Japanese relations came up.

Dr. Yen expressed the opinion that 1935 was to be a critical year for China as well as for Japan. He believed the Japanese would press for the settlement of certain outstanding questions with China during the year 1935, in view of the fact that Japan's denunciation of the Washington Treaties would become effective at the end of 1935, while her renunciation from the League would become effective in the spring of 1936.

He stated that General Doihara had visited Tientsin and had talked with a number of the Chinese officials who were living in retirement at Tientsin and who were friends of his, and he had said to them that Japan felt that, in so far as North China was concerned, all outstanding questions were settled; that Japan would now transfer her attention from North China to Nanking where she would exert pressure to obtain the abolishment of all anti-Japanese activities and seek certain improvements in Sino-Japanese relations, particularly along the line of economic collaboration. Dr. Yen expressed the opinion that Japan was ambitious to dominate China and Asia.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Financial situation.

Shanghai, February 17, 1935.

Conversation with: Dr. H. H. Kung, Minister of Finance.

I called upon Dr. H. H. Kung at two o'clock this afternoon. He had just got up after a siege of flu. I found him very much worried about the financial situation.

He said that, in his opinion - and this opinion was shared by other responsible people in banking circles in Shanghai - the Silver Purchase Act of the United States threatened to do more damage to China than had resulted from the Japanese military attack on Chapei. He described the situation in Shanghai in some detail, outlining the expedients to which he had been forced in order to attempt to help Chinese bankers and investment houses out of their difficulties.

I attempted to describe to Dr. Kung the domestic situation in the United States which had brought about the enactment of the Silver Purchase Act with its consequent change in our currency situation.

Dr. Kung asked about the chances of a loan from the

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the United States to help him tide over the situation in China. I told him that personally I was not at all confident that a loan was possible, certainly not from private sources, and I was not sure that Government forces were in a position to make the kind of a loan he wanted at this time.

Dr. Kung then outlined to me somewhat roughly a proposal which he stated he had laid before the Government of the United States. He pointed out that this proposal contemplated a loan for which he said China could offer excellent security, as the Chinese customs returns would in the course of five years be freed of most of the burden which they were now carrying due to the liquidation of indemnities and present obligations secured on the customs. He expressed to me most emphatically his hope that I would urge the United States to give favorable consideration to his proposal now before it, as he said that unless the United States came forward with some assistance it was extremely difficult to know what could be done. Dr. Kung promised to give me subsequently at Nanking copies of the telegrams which had been exchanged with Washington on this subject.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Conditions in China.

Nanking, February 20, 1935.

Conversation with: Mr. T'ang Yu-jen, Vice Minister
for Foreign Affairs.

During a visit with Mr. T'ang Yu-jen to-day the subject of economic conditions in China came up. The Vice Minister indicated by his conversation that he had made a rather serious study of the economic situation.

I remarked that the American Government at the present time was very much interested in finding means whereby through reciprocal arrangements American trade with the several parts of the world might be improved, and stated that studies of this kind were now being made.

The Vice Minister stated that in his opinion China must make a similar study of her problem. He said that it was necessary for them to find a wider market for Chinese goods; that a loan at this time was unnecessary and not advisable, as at best it could only become a temporary makeshift. He stated that some means should be found whereby China could exchange her goods for those goods manufactured abroad which could be used in China and which did not compete with Chinese-made goods.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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Sino-Japanese relations.

Nanking, February 21, 1935.

Conversation with: Mr. Wang Ching-wai, Minister for
Foreign Affairs.

I called on the Minister for Foreign Affairs to-day and in the course of conversation he entered upon an explanation of the relations existing between China and Japan, stating that there had been no demands made upon China by the Japanese, nor had the Japanese proposed any loan. He said that there was, however, an indication of a desire on the part of the Japanese to find some ground for economic collaboration.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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Sino-Japanese relations.

Nanking, February 21, 1935.

Conversation with: Mr. Y. Suma, Japanese Consul
General and First Secretary of
Legation.

Mr. Suma came to call and in the course of conversation he volunteered certain information regarding Sino-Japanese relations. He stated that it was untrue that the Japanese had made any demands upon China or had offered any loan.

He said that upon returning from a recent visit to his home he had called upon General Chiang Kai-shek, Mr. Huang Fu, and Mr. Wang Ching-wei, and to all of them he had stated that Japan looked merely to some settlement of outstanding questions between the two countries. He said that he had tried to make it clear that the settlement of these outstanding questions was necessary before there could be any financial help for China; that it was true there was a certain lack of confidence in the situation in China abroad, and that this lack of confidence was due to the failure of China and Japan to settle outstanding questions; and he felt that anything which might be done to bring these unsettled questions to a settlement would do more to

dispel

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dispel this lack of confidence and produce normal conditions than anything else. China could not live without Japan, nor could Japan live without China, and under the circumstances it ought to be possible for them to find ways to settle their differences.

He referred to the statement made by General Chiang Kai-shek and to the speech made by Mr. Wang Ching-wei, and stated that after all these consisted merely of words. Japan expected action, particularly as regards the stopping of all anti-Japanese activities. He said that China was interested in getting a loan; was even attempting to get a loan from the British, from the Americans and also from the Japanese, but that no loan was possible. He had sent a representative to the Mitsui Banking Company to see Mr. Chen Kung-po and discuss these matters but without results.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Sino-Japanese relations.

Nanking, February 21, 1935.

Conversation with: Mr. Chen Kung-po, Minister of
Industries.

In the course of a call upon Mr. Chen Kung-po the subject of conversation was brought around to the present state of relations between China and Japan.

Mr. Chen commented upon the discussion in the press regarding the improvement in relations between China and Japan, and said that although no demands had been made upon the Chinese by the Japanese it was generally agreed that the two countries must discover some means of bringing about a more friendly disposition on the part of the Governments of the two countries toward each other.

He said it was his belief that China must come to the conclusion that Japan does not intend to retreat from Manchuria. The corollary to this, however, was that the Japanese must equally recognize that the Chinese will never acquiesce in their taking over of Manchuria. Provided this was understood, it should be possible for the two countries to lay that question aside and concentrate on settling certain outstanding questions, and particularly find means whereby economic collaboration might be possible. The Japanese want access to China's cotton, coal and iron, and China for its part will be only too glad to have a wider market for its products.

Nelson Trusler Johnson,
American Minister.

British attitude toward Japan's activities
in Asia.

Peiping, March 4, 1935.

Conversation with: Sir Alexander Cadogan, British
Minister.

In the course of conversation with Sir Alexander Cadogan, while discussing the attitude in the United States toward the new situation arising in Asia, I commented to the effect that thinking people in the United States were considerably worried about the future because of increasing competition in products hitherto monopolized by our industries; that it was now a competition in cost of manufacture, wage scales and standards of living, and very difficult for us with our higher standards to meet. I expressed the opinion that Europe and America would proceed to erect barriers against this competition, which would drive the rapidly increasing and highly industrialized population of Japan in upon itself, with perhaps constant trouble in the future.

Sir Alexander stated that thinking people in England were equally impressed with the dangers of this situation and were therefore convinced that perhaps the only solution lay in allowing Japan a free hand in Asia. The difficulty here of course was that Great Britain had large interests at stake, and the advance of Asia along the mainland endangered that stake. It was difficult to prepare to retreat before this advance.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

General Doihara.

Peiping, March 7, 1935.

Conversation with: Mr. K. Wakasugi, Counselor of Japanese Legation.

In the course of a call this afternoon Mr. Wakasugi mentioned the difficulties which had hitherto characterized the relations between Japan and China. He pointed out that up to the present the two countries had hardly been on speaking terms, and it was now Mr. Hirota's desire to improve that relationship by building up a more friendly attitude in Nanking.

I mentioned General Doihara's visit and stated that General Doihara had become a man of mystery in the East concerning whom the curiosity of every one had been aroused. I stated that in the minds of most people General Doihara's name was associated with mysterious intrigue, and his presence here or there seemed to be the portent of events to come.

Mr. Wakasugi laughed and stated that Mr. Doihara's visits were somewhat embarrassing. The Chinese believed that he was associated with intrigue. He said that General Doihara had called to see him recently and had protested against this

reputation

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reputation which he had acquired. Mr. Wakasugi said that the fact was that General Doihara was now a very conservative person, whatever may have been his past tendencies. He remarked that young Captains and Lieutenants in the Army were ambitious to achieve deeds for the purpose of furthering themselves in their military career, but that once they had reached the grade of General they usually became conservative, and a force to hold back the more ambitious and audacious youth of the lower grades.

Mr. Wakasugi said that at one time when he was in the Foreign Office Doihara had been on the staff in Tokyo and he had frequently seen him there when Doihara would come and expand his views in regard to China. Mr. Wakasugi said that he had often laughed at his ideas in those days. He said that on his recent call he had recalled those days and General Doihara's views, only to have him protest that he was no longer such an impetuous fellow. He said that General Doihara had informed him that he had no other business but to travel around in China and get acquainted with Chinese leaders and old friends in the North and in the South.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Financial aid to China.

Peiping, March 7, 1935.

Conversation with: Mr. K. Wakasugi, Counselor of
Japanese Legation.

In the course of a conversation to-day Mr. Wakasugi referred to newspaper reports to the effect that Great Britain had a proposal to lend money to China. I said that I knew of no such proposal; that it was my understanding that the British, having been approached by the Chinese for some kind of financial assistance, had discussed the matter in a friendly way with the Japanese and with ourselves, and with the Chinese, probably also with the French.

Mr. Wakasugi wanted to know whether the British had proposed a revival of the now dead Consortium. I stated that the Consortium was not dead, but on the other hand I did not understand that the British had proposed any particular action by the Consortium. I said that it was my understanding that it was more or less up to the Chinese. I stated that it seemed to me rather difficult for any one to lend any money to any one else at the time.

I said that I had heard that Japan was proposing

to

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to lend some money to China. Mr. Wakasugi said this was not right. He asked me if it would not be possible for the United States to lend China some money, possibly through one of the organizations under the New Deal. I stated that I was not sure of this, but I did not believe it was possible for the United States at the present time to make a loan of funds. I pointed out to Mr. Wakasugi that after all, whether we liked it or whether we did not, the Pacific area and particularly China had been a field of activity for British, French, German, American and other European merchants over a period of many years, until very large interests had been established and developed; that it was difficult for any of these countries to take action in regard to the present situation without in some way affecting the interests of all the others, and that friendly cooperation and understanding must exist unless there was to be trouble.

Mr. Wakasugi assented to this. He asked me whether there was any proposal on the part of the United States for a discussion of political conditions in the Far East, jointly on the part of all of those powers. I said that I knew of no such proposal, for it did not seem that the time was opportune for such a conference, in view of the suspicions which had been raised in all countries in regard to the motives of those powers. I said that I believed that sooner or later there must be some friendly discussion of these questions in order that we might all understand where we stood and reach settlements mutually helpful and satisfactory to all.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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

Sino-Japanese relations.

Peiping, March 15, 1935.

Conversation with: Mr. A. Bitner, Counselor of the
Soviet Embassy.

Mr. Bitner called and in the course of conversation stated that he felt that the change which had come about in Sino-Japanese affairs - while doubtless in part explainable on the ground that Japanese merchants interested in the Chinese market sought an outlet for their goods - was forcing the military to a different attitude. It was on the other hand explainable by the fact that the Japanese military were anxious to bring about a more peaceful situation in China, in order that they might be less handicapped in carrying out their designs against Soviet Russia.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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

Japanese-Soviet relations.

Peiping, March 15, 1935.

Conversation with: Mr. A. Bitner, Counselor of the
Soviet Embassy.

In the course of conversation to-day Mr. Bitner showed me a Tass telegram which he had received from Moscow setting forth remarks made by Mr. Litvinoff in connection with the sale of the Chinese Eastern Railway. The purport of these remarks was to the effect that the Soviet Government looked upon this sale as solving in a great degree a question which had raised a good deal of difficulty and therefore making for peace in the Far East. Mr. Litvinoff referred to two other questions concerning which he indicated the Soviet Government's readiness to enter into discussions with the Japanese: fisheries and demilitarization of the border.

With reference to fisheries Mr. Litvinoff expressed the opinion that there was little in this matter to cause difficulty, in view of the fact that both sides were prepared to consider the necessities of the other.

In regard to demilitarization, Mr. Litvinoff remarked that demilitarization within a country usually
followed

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followed hostilities, but there had been no hostilities between Japan and Russia, and for his part he hoped and believed that no hostilities would occur between Soviet Russia and Japan. However, he thought this matter might be discussed between the two countries on the basis of mutual demilitarization.

Nelson Trusler Johnson,
American Minister.

I gathered from Mr. Bitner's conversation, but not from any direct statements which he made, that Russia contemplates with a certain amount of equanimity the development of a "clash" involving Japan, Great Britain and the United States for control of the Chinese market. It is Mr. Bitner's belief - and I imagine that he has so developed his thesis in reporting to his own Government - that the United States is the party chiefly interested in this market because of its present dominant position in China's trade. Mr. Bitner by no means said so in direct words, but I inferred that Soviet Russia would view with complacency the involvement of these three countries in such a dispute leading possibly to actual warfare, as it would relieve Soviet Russia of danger.

N.T.J.

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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. 1651

The Honorable

May 6 1935

Nelson T. Johnson,
American Minister,
Peiping.

Sir:

The receipt is acknowledged of your despatch No. 3473 of March 21, 1935, enclosing copies of twenty-two memoranda covering conversations with representative official and unofficial persons following your return to China.

Officers of the Department have read the despatch under reference with much interest and have found the thoughtful summary attached thereto of particular assistance in evaluating recent developments.

Very truly yours,

For the Secretary of State:

William Phillips

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473 Peiping, March 21, 1935.

Subject: Sino-Japanese relations.

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to enclose herewith a series of twenty-two memoranda covering conversations with responsible merchants and officials of the Chinese Government which I had during the period February 15th to March 15th in Shanghai, Nanking and Peiping upon my return from leave in the United States. These conversations related to the financial crisis which has developed in Shanghai and to a change which has taken place in Sino-Japanese relations. Both these questions are related in the enclosed summary. (The memorandum of a conversation which I had with Vice Minister of Foreign Affairs T'ang Yu-jen on February 23rd was transmitted with the Legation's despatch No. 3420 of March 7th.)

The Department will note from what was said to

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that there has really come about a change in Sino-Japanese relations, and that it would appear that the Japanese military are the most active agents in bringing this change about, still retaining the initiative in and control of Japan's policy toward China. The agents, self appointed or chosen to make this policy effective, are military officers with whom the regular representatives of foreign Governments cannot maintain proper contacts, not only because of the irregularity of their status, but also because the Japanese military officer maintains a studied aloofness toward all foreigners and toward all Chinese except those with whom he chooses to make contacts. The Chinese with whom the Japanese military maintain relations are generally persons of known or reputed pro-Japanese leanings, unknown to the regular channels of foreign intercourse with China. Even the names of these people are for the most part undivulged.

In having these conversations I took particular care not to evince any excessive interest in the matters discussed. I particularly refrained from direct questions, and statements were made to me entirely upon the initiative of the Chinese. I found evidence of an unwillingness on the part of responsible Chinese to be specific in this matter; there was an evident fear of revealing sources, and apparently a general desire to create in my mind the impression that no actual or responsible negotiations had taken place.

From these conversations I think it may be safely assumed:

1. That the Japanese military, and particularly

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the Kwantung Army, have concluded to seek economic advantages in China by peaceful negotiation.

2. That we may expect them to work out some trade arrangement whereby, by grant of credit and reciprocal tariff advantages, Japan will take certain Chinese products in return for Japanese-manufactured goods.

3. That Japan will work out with the Chinese some kind of an arrangement which will include financial assistance, whereby Japanese cotton experts will be employed in the cotton-growing areas of North China for the purpose of improving the yield and extending the acreage of China's cotton.

4. That Japan will seek authority to construct a railway which will give her access to and control over the coal that is available in the province of Shansi.

5. That Japan will obstruct any effort of China to develop any iron industry in the Yangtze Valley except under Japanese control and with Japanese assistance.

6. That China will use every effort to do away with the boycott of Japanese goods which for such a long time has prevailed among the Chinese.

To accomplish these purposes Japan will hold over Chiang Kai-shek and his Government the threat of obtaining these ends by dealing with local authorities and thus destroying the very life blood of the Chinese Government.

Perhaps it is pertinent in this connection to add that recently the British Government, in considering a proposal made to it by the Chinese for a

loan.

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loan, served notice on the Chinese Government that the British Government would be prepared to consider financial aid to China at this time only in case such financial assistance were accomplished by international co-operation, and then only with the participation of Japan and contingent upon China settling differences with Japan.

As regards Soviet Russia, it is my belief that the Soviet Government is only too happy to have Japan occupied in Asia, for this will serve to postpone any threat which Japan may offer to Russian interests.

Respectfully yours,

NELSON TRUCLER JOHNSON

Enclosures:

1. Summary on Sino-Japanese relations, based on conversations as per enclosures 2-23.

2/23: Memoranda of conversations:

2. February 13th, with Mr. J.K. Chey, Commissioner of Finance, City Government of Greater Shanghai, subject: "Danger of Japanese domination of China".
3. February 13th, with Dr. Wang Chung-hui, Chinese member of Permanent Court of International Justice at The Hague, subject: "Sino-Japanese relations".
4. February 13th, with General Huang Pu, subject: "Sino-Japanese relations".
5. February 14th, with Mr. Arthur Bassett, subject: "Financial situation".
6. February 14th, with Mr. Chang Kia-ngau, Manager of Bank of China, subject: "Local silver situation in Shanghai".
7. February 15th, with Mr. Arthur Young, Adviser to the Chinese Ministry of Finance, subject: "Financial situation".

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8. February 16th, with Mr. Lockhart, Adviser to the Chinese Ministry of Finance, subject: "Financial situation of China".
9. February 16th, with Mr. Tsuyee Pei, of Bank of China, subject: "Financial situation".
10. February 16th, with Mr. Paul S. Hopkins, President of Shanghai Power Company, subject: "Local financial situation".
11. February 16th, with Mr. F. J. Twogood, of Standard Oil Company of New York, subject: "Silver situation".
12. February 17th, with Dr. Sun Fo, President of Legislative Yuan, subject: "Financial situation".
13. February 17th, with Dr. H. W. Yen, Chinese Ambassador to the U.S.S.R., subject: "Sino-Japanese relations".
14. February 17th, with Dr. H. H. Kung, Minister of Finance, subject: "Financial situation".
15. February 20th, with Mr. T'ang Yu-jen, Vice Minister for Foreign Affairs, subject: "Conditions in China".
16. February 21st, with Mr. Wang Ching-wei, Minister for Foreign Affairs, subject: "Sino-Japanese relations".
17. February 21st, with Mr. Y. Sume, Japanese Consul General, subject: "Sino-Japanese relations".
18. February 21st, with Mr. Chen Kung-po, Minister of Industries, subject: "Sino-Japanese relations".
19. March 4th, with Sir Alexander Cadogan, British Minister, subject: "British attitude toward Japan's activities in Asia".
20. March 7th, with Mr. K. Wakasugi, Counselor of Japanese Legation, subject: "General Delibera".
21. March 7th, with Mr. K. Wakasugi, subject: "Financial aid to China".
22. March 15th, with Mr. A. Bitner, Counselor of Soviet Embassy, subject: "Sino-Japanese relations".
23. March 15th, with Mr. A. Bitner, subject: "Japanese-Soviet relations".

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

Peiping, March 21, 1938.

SINO-JAPANESE RELATIONS

SUMMARY

based on conversations memoranda of which are attached.

Upon my return to China in the middle of February of this year from a vacation in the United States I found that during the four months of my absence a distinct change had occurred in Sino-Japanese relations. There was a great deal of excited discussion, not only in Japan, but also in Shanghai and Nanking, and in the Chinese press generally, of a more friendly atmosphere developing in the relations between the two countries. The discussion centered around Sino-Japanese "collaboration" in economic fields.

It appeared to be the opinion of responsible Chinese with whom I talked in Shanghai and in Nanking that the initiative in this new turn of events had come from the Japanese side. Reference was made to statements which First Secretary of Legation Suma stationed in Nanking had made in the course of visits to General Chiang Kai-shek, Wang Ching-wei, Acting Minister of Foreign Affairs, Chen Kung-po, Minister of Industries, and H. H. Kung, Minister of Finance. Mr. Suma made these calls upon his return to China after a vacation in Japan, and presumably he had the latest information of the Japanese attitude learned from responsible authorities. At about the same time the Japanese Military Attaché, Suzuki, called upon responsible Chinese

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Chinese officials and is reported to have made statements regarding Japanese policies. During the time that I was in Shanghai and Nanking, Major General Doihara, formerly employed in China as an adviser to the Chinese Government and recently attached to the Kwantung Army, who in recent years has achieved a position of mysterious stature with a reputation for intrigue with Chinese worthy of an Oppenheim story, was making a tour of China visiting high Chinese officials North and South, after having attended in Dairen a much-publicized conference with fellow officers of the Kwantung Army.

Chinese reaction to these visitations was of two kinds. In the first place, there was expressed a general belief, on the part of those not immediately connected with the conversations, that these spokesmen of Japanese policy had delivered what amounted to an ultimatum, to the effect that the Chinese must show an immediate appreciation of Japan's pacific and friendly attitude or take the consequences. It was said that the Chinese were given six months in which to meet what were purported to be the Japanese terms.

On the other hand, among those Chinese who seemed to be closest to the conversations in question, I could get no evidence of any demands having been presented, although all expressed a certain amount of conviction to the effect that these gentlemen had made it evident that Japan is intent upon a policy which, if successful, would in the end result in economic if not political control in China.

Speculation varied as to the reason why the Jap-

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anese military should have changed their policy in regard to China at this time. It was generally believed that the military, having accomplished all that they had intended to accomplish in Manchuria and North China, were now prepared to look at China proper, not so much from the point of view of military conquest as from the point of view of economic conquest. It was said that there was evident in Japan a certain loss of prestige on the part of the military. (That may be indicated by the fact that the Japanese Government appears to have transferred to the Kwantung Army in Manchuria most of those figures, such as Itagaki and Kinami, who were originally involved in the Japanese adventure, thus separating them from direct control of military policy at home.)

And it was argued that, as a corollary to this loss of prestige in Japan, there was a revival of influence on the part of Japanese business and civilian leaders - particularly of Osaka merchants, all of whom have been in favor of more peaceful methods in Japan's China policy - with a view to obtaining a return of China's good will and a better market for Japanese goods. There seemed to be a belief that among the merchant and civilian leaders in Japan there was a growing apprehension not only regarding Japan's internal economic situation, but also regarding the future of Japan's much-needed foreign market for the products of her industries. It was said that the increasing handicaps placed by the United States and the British Empire and other countries upon Japanese goods are forcing Japanese industries back upon China as an out-

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let for their products. It was argued that the Japanese military, perceiving this trend, and anxious to retain their position of leadership in Japanese domestic politics and the direction of Japan's policy toward China, took the initiative, thus robbing the civilian and merchant element in Japan of any prestige which such a move might give.

Another reason given for this change in the attitude of the Japanese military was that in March of this present year (1935) Japan's resignation from membership in the League would become effective, while in December her denunciation of the Washington Treaties would also become effective. The Japanese military leaders were therefore anxious to clean up questions pending with China before the end of the year, and if possible face the questions that would present themselves in 1936 with a peaceful China behind them.

In all accounts that came to me of the conversations which Guma, Suzuki and Doihara had with Chinese, I gathered that they intended to convey to the Chinese that they were speaking for the Japanese Government; and I wish to say in this connection that in all conversations which I have had with Mr. Guma I have been impressed with the fact that he intends to convey the idea that he speaks for Japan. I have never heard him mention to me the activities or the statements of the Minister, who in all of these matters seems to play a very minor rôle if any.

From the Chinese side the reaction to these methods appears to be one of frightened acquiescence. In the first place, they feel only too painfully that

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inability to meet Japanese force with force, and with hatred in their hearts they seek whatever means offers to placate Japanese force. On the other hand, in recent months they have been terribly reminded of the economic weakness of the Government, by the reaction of silver in the possession of Chinese to the silver-purchasing policy of the United States.

When the white metal was cheap it came in large quantities to Shanghai for investment; the security of the International Settlement tended to concentrate the silver there. Such quantities were received from abroad and the Chinese interior that it was begging for opportunities for investment. Under these conditions the Chinese Government found it easy to finance Government enterprises.

When the price of silver went up it became immediately advantageous for Shanghai merchants to use their accumulation of silver to meet obligations abroad. There was also the temptation to realize at once the profits which the rising price of silver offered to those who had bought silver when it was around twenty-four cents an ounce. The result was a flight of silver from Shanghai, and the disappearance of China's only market for her Government securities. In other words, the Government had put too many eggs in its Shanghai basket, and it now found itself in desperate straits.

It was natural enough that in this situation the Japanese advances along more peaceful lines should be welcomed. Although it would appear that no Japanese loan has been offered, at the same time it is appar-

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ent that Japanese credit contingent upon China's efforts to kill anti-Japanese feeling in China would be immediately available, provided that, in return for Japan's taking more Chinese products, the Chinese would make more of their purchases from Japan.

The Chinese present two attitudes of mind: the bankers and certain members of the Government are very much opposed to a loan; but a desperate Minister of Finance, abetted by the former Minister T. V. Soong, has been making frantic efforts - the one in America and the other in England - to obtain financial assistance to tide the Government over the present crisis.

Chinese students of the situation were and are convinced that something must be done toward increasing the sale abroad of Chinese goods. They appreciate the fact that industrialized Japan offers the closest and most likely market for China's raw materials. They are therefore prepared to meet Japanese approaches half way. But they are conscious of the fact that certain industries in China are rapidly growing in their ability to meet Chinese demand for many types of foreign products, especially those for which Japan will seek a market from her own industries. Herein will be found factors that will offer serious difficulties to both Japan and China in any efforts that they may undertake at economic collaboration. Chinese cotton is available in increasing quantities and in better quality for Japanese use, but it is not yet available in quantity much beyond present consumption in China, and in quality it is still below the requirements for goods of quality superior to that for which China chiefly
offers

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offers a ready market. Any increase in cotton acreage must be at a sacrifice to the production of food in a country where the margin between the number of mouths to be fed and the quantity of food produced is rapidly decreasing. Japan will have to devise means of supplying food to the cotton farmers; otherwise, in the cotton growing districts we may find the need of food acting as a limitation upon the acreage available for cotton.

It is of course possible that the better organized Japanese industry, plus lower tariffs which the Japanese may force the Chinese to fix for Japanese products, may result in throttling Chinese industry, whether in cotton, silk, cosmetics, or heavy industries. It is difficult, however, to see how Japan can expect standards of living in China to increase to the point where China can offer the more expensive market which Japanese industry is beginning to require, if such a policy of throttling Chinese industry is pursued.

"Manchukuo" presents an economic problem to Japan which is going to be difficult to solve. In the first place, the large Chinese population in Manchuria will try by every means within its power to remit its earnings to the old homes in China, for Manchuria's population is essentially connected - economically and ethnologically - with China. During the past year Japan has spent in Manchuria over 200,000,000 Yen for construction work, and during the same period Chinese labor in Manchuria has, it is reported, remitted to China something like \$150,000,000. Manchuria no longer takes the products of China's cotton mills, as was

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the case before 1931. It is reported that the Manchurian market for piece goods is now being supplied by Japanese-controlled mills in Shanghai, which, by some arrangement with the Japanese Government, send their products to Japan for exportation to Manchuria as Japanese products. These mills in Shanghai are understood to be controlled by Japanese textile industries in Japan, but the material and labor used in the production of the goods is Chinese, so that it is doubtful whether the Japanese textile industry benefits in this matter beyond the middleman's profit, and the transaction certainly does not appear to effect remittances which come from Manchuria to China.

Other raw products which China might possibly furnish Japan are iron, coal and oil. China of course is anxious to develop these resources for her own use, but it remains to be seen whether she will be able to command the wherewithal at home or the necessary financing and assistance from abroad to enable her to do this, for I believe that the Japanese will effectively obstruct any effort of China to accomplish this purpose with the help of any one but herself, and of course this would mean that Japan would automatically obtain control over the resource in question. It is known that Japan is at the present time seeking to obtain China's permission to build a railway either from Tangku or Tainan for the purpose of tapping the large coal reserves of Shansi. This would give Japan an excellent supply of what is understood to be good coking coal. As regards oil, the only known supplies of this product are in Sinkiang, an area much more likely to come under Soviet control than Japanese.

N. T. J.

NTJ:EA

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

Danger of Japanese domination of China.

Shanghai, February 13, 1938.

Conversation with: Mr. J. E. Choy, Commissioner of
Finance, City Government of
Greater Shanghai.

Mr. Choy dwelt at length upon the financial distress facing the Government and upon the condition of bankers in Shanghai.

He stated that the Japanese pressure was such that unless the Chinese Government obtained financial assistance from some outside source other than the Japanese there was no doubt in his mind that China would become a vassal of Japan. He said that in his opinion the young officers now controlling the destinies of Japan were ambitious to extend Japanese control over China and would be successful in their ambition because they would be able to obtain control over the Chinese armies. Such an eventuality would, in his opinion, produce a real yellow peril, because Chinese soldiers led by Japanese officers could do nothing.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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

Sino-Japanese Relations.

Shanghai, February 13, 1936.

Conversation with: Dr. Wang Chung-hui, Chinese member
of the Permanent Court of International
Justice at The Hague.

By arrangement I called on Dr. Wang Chung-hui at his home and found him preparing to leave within two or three days for The Hague. He stated that it was his intention to travel by way of Washington, but that he would break his journey in Japan as he wished to see and talk with leaders at Tokyo.

In discussing the Japanese attitude toward China Dr. Wang stated that the year 1936 was to be a critical year for China, as the Japanese were determined to settle all outstanding questions before Japan's denunciation of the League and Covenant became definitive in May, 1936, or before her denunciation of the Washington Treaties became effective in December of this year. He said that Japan wished to be free of all problems in China, in order that she might face with undisturbed mind the situation which would then confront her in her relations with Europe. Dr. Wang expressed the conviction that Japan was ambitious to dominate and control the destiny of China.

I asked Dr. Wang about the situation in Canton and the relations between Canton and Nanking, and he informed me that this situation was somewhat better, but that the difficulties separating Nanking from Canton had not been entirely smoothed out.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Sino-Japanese relations.

Shanghai, February 13, 1935.

Conversation with: General Huang Fu.

By arrangement I called at the home of General Huang Fu. After some conversation about present conditions in America and the silver policy which the United States is pursuing under the Silver Purchasing Act, General Huang stated that although political conditions were better in China and Government was stronger, the economic situation was far from sound. The farmers had suffered last year in the Lower Yangtze Valley and it was necessary for them to buy seed for the coming year. China's silver was gone; it was difficult to know what could be done about this. The financial situation of the Government was threatened because of the inability of Chinese bankers to help due to the dearth of silver in Shanghai.

He stated that the year 1935 would be a critical year for China, because the Japanese, beginning to realize the difficulty of sending their people or their products abroad, were being thrown back on China, and China was in no position to resist. He stated that the Japanese did not want the Chinese to have any contact

- 2 -

or traffic with foreign countries; that they in effect proposed to build a Japanese wall around China and monopolize China's trade, foreign and domestic, for their own benefit. He referred to the effect of the high price of silver upon the financial and business situation in Manchuria, and stated that to his knowledge the Japanese were making detailed investigation into the economic situation in and around Shanghai which had been precipitated by the rise in silver and consequent flight of silver from China.

General Huang suggested that I see Mr. Chang Kia-ngau, Manager of the Bank of China, who, he said, could give me a more detailed account of the situation, and he telephoned to Mr. Chang to make an appointment for me.

General Huang stated that he was suffering from low blood pressure and that at the present time he was under the care of a physician who was trying to raise his blood pressure, as it was going to be necessary for him to have another operation on his nose. He said that he expected to go to Mokanshan for a time before taking up his appointment as Minister of the Interior in Nanking.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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

Financial situation.

Shanghai, February 14, 1935.

Conversation with: Mr. Arthur Bassett.

In a conversation to-day Mr. Bassett stated that the trouble in Shanghai was due chiefly to a collapse in the recent land boom at Shanghai. He said that land speculators were the chief sufferers.

After all, the price of silver is still low in terms of the old United States dollar. It was only when you took the devalued dollar into account that the present price of silver seemed too high.

It had been a mistake, he said, for the Chinese Government to put an embargo on the export of silver. By this he meant the added export tax. Silver had always been free to move here and there in China, and in his opinion nothing should have been done to stop this freedom of silver.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Local silver situation in Shanghai.

Shanghai, February 14, 1935.

Conversation with: Mr. Chang Kia-ngau, Manager of the
Bank of China.

Mr. Chang Kia-ngau called by arrangement through General Huang Fu. I told him that the Administration was very much concerned over the possible effects of our silver purchasing policy in China, and that we hoped this policy might be carried out with as little damage to the Chinese financial structure as was possible.

Mr. Chang stated that he felt the present price level for silver, that is, fifty-five cents United States currency an ounce, was an equitable one; and he hoped the United States Government in carrying out its silver purchasing policy would contrive to stabilize the price somewhere at its present level. He expressed the opinion that if this could be done the Shanghai situation would work itself out. He thought perhaps if the American Government stopped buying whenever silver was strong and purchased whenever the market was weak, this end might be accomplished.

Mr.

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Mr. Chang stated that up until last fall the cheapness of silver had encouraged owners of silver to bring it to Shanghai and invest it. Furthermore, foreign companies doing business in China had kept their profits in China for investment purposes. It had been profitable for them to do this rather than liquidate some of their obligations abroad, but when the price of silver began to climb to forty-five cents there ensued what amounted to a flight of capital. Parts of the shipments abroad had gone out to settle the balance of payments, high silver making this profitable policy. Additional quantities of silver had been shipped out for the purpose of sale in order to enjoy the immediate profit. Other reasons for shipping the silver away had been fear of the Chinese military and the rumors of the intention of the Chinese Government either to inflate its currency or to devalue the dollar.

Mr. Chang pointed out that devaluation was practically impossible, as the currency of silver which it was proposed to devalue was a metal practically entirely in the hands of private individuals and beyond the control of the Government itself. Private holders of silver in bars, shoes or ornaments would be loath to exchange that silver merely for newly-minted silver. The situation was not like that existing in the United States.

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States, where the gold used for currency was practically entirely in the hands of Government, and, so far as the currency-using public was concerned, represented by paper based on that gold and issued by or under the direct supervision of the United States Government.

Mr. Chang further pointed out that at the present time the banks in Shanghai had barely sufficient reserve in metal to meet issues of notes and outstanding obligations in the form of credits to depositors.

I gathered that Mr. Chang did not think a loan was necessary at this time.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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

Financial situation.

Shanghai, February 15, 1935.

Conversation with: Mr. Arthur Young, Adviser to the
Chinese Ministry of Finance.

Mr. Young called and in the course of conversation the question of the financial situation of Shanghai came up. He stated that the Government was in difficulties because of the tightness of money in Shanghai, due to the fact that most of the silver in Shanghai had gone with the rise in the price of silver.

Mr. Young mentioned a proposal which he said Minister of Finance Kung had laid before the Government of the United States. He did not give me any details in regard to this proposal, saying that he would rather I get them from Dr. Kung himself. He expressed the thought that this proposal was in line with what the Chinese Government might do to meet the local crisis.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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

Financial situation of China.

Shanghai, February 16, 1935.

Conversation with: Mr. Lockhart, adviser to the
Chinese Ministry of Finance.

Mr. Lockhart called as a matter of courtesy and in the course of conversation we discussed the present financial crisis. He pointed out that China's exports, according to his recollection, had dropped to thirty-eight per cent of the figure for 1931, while her imports had dropped to approximately fifty-four per cent of the figure for 1931. He stated that, aside from the local difficulties at Shanghai, China was in for a period of deflated prices because her ability to pay for the excess in balance of payments against her was falling, either as regards goods or silver.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Financial situation.

Shanghai, February 16, 1935.

Conversation with: Mr. Tsuyee Pei, Bank of China.

By arrangement through Mr. Paul Hopkins I went to see Mr. Pei in a private suite at the Cathay Hotel at four o'clock to-day.

Mr. Pei stated that just at the moment the most important thing was to reestablish confidence in Shanghai. The trouble was that every one was upset and nervous; money was scarce; there was a tendency to hoard; and some means had to be devised to lift this weight of fear from business in Shanghai. He told me that he and a number of other bankers were going to see Dr. Kung this evening for the purpose of requesting him to take off the export tax on new silver brought into Shanghai; that is, any silver newly imported into Shanghai might be exported freely without payment of export tax. Mr. Pei hoped that such a move might facilitate the return of silver to Shanghai where it was now so much needed.

Mr. Pei expressed the opinion that the United States Government might assist the local situation by appointing a fiscal agent to reside in Shanghai for the purpose

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purpose of purchasing silver on behalf of the United States Government, it being understood that he would hold such purchases in Shanghai, using the American banks as depositors, and supervise the use of the silver in Shanghai to free money now frozen in real estate.

Mr. Pei expressed himself as of the opinion that the Chinese Government was chiefly responsible for the lack of confidence evidenced in commercial and banking circles in Shanghai, because of the import tax which had been imposed in a time of panic. Mr. Pei also expressed the opinion that the Chinese would pass through the crisis if confidence could be restored.

Mr. Pei stated that he felt any talk of a loan was useless, as a loan or a gold or wheat credit would only become the object of attack by various political parties, and would surely provoke the political opposition of the Japanese. It would be better if China could work out the situation some way by herself, with such mechanical aid as the United States might give in the way suggested above.

Mr. Pei stated that the National City Bank has been cooperating faithfully and hopefully throughout the crisis. With reference to the Hongkong Bank, he stated that the Hongkong and Shanghai Banking Corporation at Hongkong had expanded its issue of notes in order to take care of the demand for Hongkong notes arising out of the failure of confidence in Canton's money policies. Under the circumstances the Hongkong and Shanghai Banking Corporation at Shanghai had had to supplement the Hongkong Bank's silver reserves by shipments to Hongkong.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Local financial situation.

Shanghai, February 16, 1935.

Conversation with: Mr. Paul S. Hopkins, President
of Shanghai Power Company

I went to see Mr. Hopkins, and he elaborated over what he had told me over the telephone yesterday, pointing out that conditions in Shanghai were very bad indeed due to the scarcity of silver. In fact, he thought that there was little to be optimistic about, either now or in the immediate future, in so far as finances were concerned.

Five months ago silver was cheap and plentiful in Shanghai, and it was possible to sell the company's bonds without difficulty; in fact, the demand was greater than they had any need for. To-day because of the tightness of the money market it was impossible to dispose of five per cent bonds in Shanghai. People were paying as high as thirty per cent for cash.

Mr. Hopkins stated that he did not know just what could be done about the situation. He thought perhaps it might be possible for the United States to establish a credit for China; or the United States might purchase its silver in Shanghai and use such purchases as a credit, thus aiding in stabilizing the local situation and restoring confidence.

Nelson Trusler Johnson,
American Minister.

NTJ:KA

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

Silver situation.

Shanghai, February 16, 1935.

Conversation with: Mr. F. J. Twogood, of Standard
Oil Company of New York

I asked Mr. Twogood what effect the present high price of silver had had upon the business of the Standard Oil Company.

He expressed himself as being contented with the situation as favorable to the company. He admitted that the local situation was very dangerous, but felt that if the Government were to remove the export tax on silver the situation might be helped. He could see no danger of a further flight of silver if the Government were to go back to its policy of letting silver flow freely where needed.

Nelson Trusler Johnson,
American Minister.

NTJ:MA

Financial situation.

Shanghai, February 17, 1935.

Conversation with: Dr. Sun Fo, President of the
Legislative Yuan

I called on Dr. Sun Fo this morning by arrangement for the purpose of paying my respects, and in the course of my call conversation turned upon the financial crisis which has developed in Shanghai. Dr. Sun Fo talked about the situation, pointing out the straits in which the Government found itself, and asked what the attitude was in the United States.

I explained to Dr. Sun Fo the mandatory character of the Silver Act, and the necessity for the Secretary of the Treasury under that Act to consummate the purposes of the Act. I told him that the Administration was alive to the critical situation which had arisen in China, and was very anxious to find some means of assisting. The difficulty was that there seemed to be no way in which it could help, although it was anxiously exploring every suggestion that was offered.

Nelson Trusler Johnson,
American Minister.

WTJ:KA

Sino-Japanese relations.

Shanghai, February 17, 1935.

Conversation with: Dr. W. W. Yen, Chinese Ambassador
to the U.S.S.R.

I called upon Dr. W. W. Yen and found him preparing to return to his post at Moscow. In the course of conversation the question of Sino-Japanese relations came up.

Dr. Yen expressed the opinion that 1935 was to be a critical year for China as well as for Japan. He believed the Japanese would press for the settlement of certain outstanding questions with China during the year 1935, in view of the fact that Japan's denunciation of the Washington Treaties would become effective at the end of 1935, while her renunciation from the League would become effective in the spring of 1936.

He stated that General Doihara had visited Tientsin and had talked with a number of the Chinese officials who were living in retirement at Tientsin and who were friends of his, and he had said to them that Japan felt that, in so far as North China was concerned, all outstanding questions were settled; that Japan would now transfer her attention from North China to Nanking where she would exert pressure to obtain the abolishment of all anti-Japanese activities and seek certain improvements in Sino-Japanese relations, particularly along the line of economic collaboration. Dr. Yen expressed the opinion that Japan was ambitious to dominate China and Asia.

Nelson Trusler Johnson,
American Minister.

NTJ:BA

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

financial situation.

Shanghai, February 17, 1935.

Conversation with: Dr. H. H. Kung, Minister of
Finance.

I called upon Dr. H. H. Kung at two o'clock this afternoon. He had just got up after a siege of flu. I found him very much worried about the financial situation.

He said that, in his opinion - and this opinion was shared by other responsible people in banking circles in Shanghai - the Silver Purchase Act of the United States threatened to do more damage to China than had resulted from the Japanese military attack on Chepei. He described the situation in Shanghai in some detail, outlining the expedients to which he had been forced in order to attempt to help Chinese bankers and investment houses out of their difficulties.

I attempted to describe to Dr. Kung the domestic situation in the United States which had brought about the enactment of the Silver Purchase Act with its consequent change in our currency situation.

Dr. Kung asked about the chances of a loan from
the

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the United States to help him tide over the situation in China. I told him that personally I was not at all confident that a loan was possible, certainly not from private sources, and I was not sure that Government forces were in a position to make the kind of a loan he wanted at this time.

Dr. Kung then outlined to me somewhat roughly a proposal which he stated he had laid before the Government of the United States. He pointed out that this proposal contemplated a loan for which he said China could offer excellent security, as the Chinese customs returns would in the course of five years be freed of most of the burden which they were now carrying due to the liquidation of indemnities and present obligations secured on the customs. He expressed to me most emphatically his hope that I would urge the United States to give favorable consideration to his proposal now before it, as he said that unless the United States came forward with some assistance it was extremely difficult to know what could be done. Dr. Kung promised to give me subsequently at Nanking copies of the telegrams which had been exchanged with Washington on this subject.

Nelson Trueter Johnson,
American Minister.

NTJ:EA

Conditions in China.

Nanking, February 20, 1935.

Conversation with: Mr. T'ang Yu-jen, Vice Minister
for Foreign Affairs.

During a visit with Mr. T'ang Yu-jen to-day the subject of economic conditions in China came up. The Vice Minister indicated by his conversation that he had made a rather serious study of the economic situation.

I remarked that the American Government at the present time was very much interested in finding means whereby through reciprocal arrangements American trade with the several parts of the world might be improved, and stated that studies of this kind were now being made.

The Vice Minister stated that in his opinion China must make a similar study of her problem. He said that it was necessary for them to find a wider market for Chinese goods; that a loan at this time was unnecessary and not advisable, as at best it could only become a temporary makeshift. He stated that some means should be found whereby China could exchange her goods for those goods manufactured abroad which could be used in China and which did not compete with Chinese-made goods.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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

Sino-Japanese Relations.

Nanking, February 21, 1935.

Conversation with: Mr. Wang Ching-wei, Minister for
Foreign Affairs.

I called on the Minister for Foreign Affairs to-day and in the course of conversation he entered upon an explanation of the relations existing between China and Japan, stating that there had been no demands made upon China by the Japanese, nor had the Japanese proposed any loan. He said that there was, however, an indication of a desire on the part of the Japanese to find some ground for economic collaboration.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Sino-Japanese Relations.

Nanking, February 21, 1935.

Conversation with: Mr. Y. Suma, Japanese Consul
General and First Secretary of
Legation.

Mr. Suma came to call and in the course of conversation he volunteered certain information regarding Sino-Japanese relations. He stated that it was untrue that the Japanese had made any demands upon China or had offered any loan.

He said that upon returning from a recent visit to his home he had called upon General Chiang Kai-shek, Mr. Huang Fu, and Mr. Wang Ching-wei, and to all of them he had stated that Japan looked merely to some settlement of outstanding questions between the two countries. He said that he had tried to make it clear that the settlement of these outstanding questions was necessary before there could be any financial help for China; that it was true there was a certain lack of confidence in the situation in China abroad, and that this lack of confidence was due to the failure of China and Japan to settle outstanding questions; and he felt that anything which might be done to bring these unsettled questions to a settlement would do more to

dispel

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

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dispel this lack of confidence and produce normal conditions than anything else. China could not live without Japan, nor could Japan live without China, and under the circumstances it ought to be possible for them to find ways to settle their differences.

He referred to the statement made by General Chiang Kai-shek and to the speech made by Mr. Wang Ching-wei, and stated that after all these consisted merely of words. Japan expected action, particularly as regards the stopping of all anti-Japanese activities. He said that China was interested in getting a loan; was even attempting to get a loan from the British, from the Americans and also from the Japanese, but that no loan was possible. He had sent a representative to the Mitsui Banking Company to see Mr. Chen Kung-po and discuss these matters but without results.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Sino-Japanese relations.

Nanking, February 21, 1935.

Conversation with: Mr. Chen Kung-po, Minister of Industries.

In the course of a call upon Mr. Chen Kung-po the subject of conversation was brought around to the present state of relations between China and Japan.

Mr. Chen commented upon the discussion in the press regarding the improvement in relations between China and Japan, and said that although no demands had been made upon the Chinese by the Japanese it was generally agreed that the two countries must discover some means of bringing about a more friendly disposition on the part of the Governments of the two countries toward each other.

He said it was his belief that China must come to the conclusion that Japan does not intend to retreat from Manchuria. The corollary to this, however, was that the Japanese must equally recognize that the Chinese will never acquiesce in their taking over of Manchuria. Provided this was understood, it should be possible for the two countries to lay that question aside and concentrate on settling certain outstanding questions, and particularly find means whereby economic collaboration might be possible. The Japanese want access to China's cotton, coal and iron, and China for its part will be only too glad to have a wider market for its products.

Nelson Trusler Johnson,
American Minister.

British attitude toward Japan's activities
in Asia.

Peiping, March 4, 1933.

Conversation with: Sir Alexander Cadogan, British
Minister.

In the course of conversation with Sir Alexander Cadogan, while discussing the attitude in the United States toward the new situation arising in Asia, I commented to the effect that thinking people in the United States were considerably worried about the future because of increasing competition in products hitherto monopolized by our industries; that it was now a competition in cost of manufacture, wage scales and standards of living, and very difficult for us with our higher standards to meet. I expressed the opinion that Europe and America would proceed to erect barriers against this competition, which would drive the rapidly increasing and highly industrialized population of Japan in upon itself, with perhaps constant trouble in the future.

Sir Alexander stated that thinking people in England were equally impressed with the dangers of this situation and were therefore convinced that perhaps the only solution lay in allowing Japan a free hand in Asia. The difficulty here of course was that Great Britain had large interests at stake, and the advance of Asia along the mainland endangered that stake. It was difficult to prepare to retreat before this advance.

Nelson Trusler Johnson,
American Minister.

NTJ:RA

General Doihara,

Peiping, March 7, 1935.

Conversation with: Mr. K. Wakasugi, Counselor of
Japanese Legation.

In the course of a call this afternoon Mr. Wakasugi mentioned the difficulties which had hitherto characterized the relations between Japan and China. He pointed out that up to the present the two countries had hardly been on speaking terms, and it was now Mr. Hirota's desire to improve that relationship by building up a more friendly attitude in Nanking.

I mentioned General Doihara's visit and stated that General Doihara had become a man of mystery in the East concerning whom the curiosity of every one had been aroused. I stated that in the minds of most people General Doihara's name was associated with mysterious intrigue, and his presence here or there seemed to be the portent of events to come.

Mr. Wakasugi laughed and stated that Mr. Doihara's visits were somewhat embarrassing. The Chinese believed that he was associated with intrigue. He said that General Doihara had called to see him recently and had protested against this

reputation

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reputation which he had acquired. Mr. Nakasugi said that the fact was that General Doihara was now a very conservative person, whatever may have been his past tendencies. He remarked that young Captains and Lieutenants in the Army were ambitious to achieve deeds for the purpose of furthering themselves in their military career, but that once they had reached the grade of General they usually became conservative, and a force to hold back the more ambitious and audacious youth of the lower grades.

Mr. Nakasugi said that at one time when he was in the Foreign Office Doihara had been on the staff in Tokyo and he had frequently seen him there when Doihara would come and expand his views in regard to China. Mr. Nakasugi said that he had often laughed at his ideas in those days. He said that on his recent call he had recalled those days and General Doihara's views, only to have him protest that he was no longer such an impetuous fellow. He said that General Doihara had informed him that he had no other business but to travel around in China and get acquainted with Chinese leaders and old friends in the North and in the South.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

Financial aid to China.

Peiping, March 7, 1935.

Conversation with: Mr. K. Wakasugi, Counselor of
Japanese Legation.

In the course of a conversation to-day Mr. Wakasugi referred to newspaper reports to the effect that Great Britain had a proposal to lend money to China. I said that I knew of no such proposal; that it was my understanding that the British, having been approached by the Chinese for some kind of financial assistance, had discussed the matter in a friendly way with the Japanese and with ourselves, and with the Chinese, probably also with the French.

Mr. Wakasugi wanted to know whether the British had proposed a revival of the now dead Consortium. I stated that the Consortium was not dead, but on the other hand I did not understand that the British had proposed any particular action by the Consortium. I said that it was my understanding that it was more or less up to the Chinese. I stated that it seemed to me rather difficult for any one to lend any money to any one else at the time.

I said that I had heard that Japan was proposing

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to lend some money to China. Mr. Wakasugi said this was not right. He asked me if it would not be possible for the United States to lend China some money, possibly through one of the organizations under the New Deal. I stated that I was not sure of this, but I did not believe it was possible for the United States at the present time to make a loan of funds. I pointed out to Mr. Wakasugi that after all, whether we liked it or whether we did not, the Pacific area and particularly China had been a field of activity for British, French, German, American and other European merchants over a period of many years, until very large interests had been established and developed; that it was difficult for any of these countries to take action in regard to the present situation without in some way affecting the interests of all the others, and that friendly cooperation and understanding must exist unless there was to be trouble.

Mr. Wakasugi assented to this. He asked me whether there was any proposal on the part of the United States for a discussion of political conditions in the Far East, jointly on the part of all of those powers. I said that I knew of no such proposal, for it did not seem that the time was opportune for such a conference, in view of the suspicions which had been raised in all countries in regard to the motives of those powers. I said that I believed that sooner or later there must be some friendly discussion of these questions in order that we might all understand where we stood and reach settlements mutually helpful and satisfactory to all.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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

Sino-Japanese relations.

Peiping, March 15, 1938.

Conversation with: Mr. A. Bitner, Counselor of the
Soviet Embassy.

Mr. Bitner called and in the course of conversation stated that he felt that the change which had come about in Sino-Japanese affairs - while doubtless in part explainable on the ground that Japanese merchants interested in the Chinese market sought an outlet for their goods - was forcing the military to a different attitude. It was on the other hand explainable by the fact that the Japanese military were anxious to bring about a more peaceful situation in China, in order that they might be less handicapped in carrying out their designs against Soviet Russia.

Nelson Trusler Johnson,
American Minister.

NTJ:EA

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

Japanese-Soviet relations.

Peiping, March 15, 1935.

Conversation with: Mr. A. Bitner, Counselor of the
Soviet Embassy.

In the course of conversation to-day Mr. Bitner showed me a Tass telegram which he had received from Moscow setting forth remarks made by Mr. Litvinoff in connection with the sale of the Chinese Eastern Railway. The purport of these remarks was to the effect that the Soviet Government looked upon this sale as solving in a great degree a question which had raised a good deal of difficulty and therefore making for peace in the Far East. Mr. Litvinoff referred to two other questions concerning which he indicated the Soviet Government's readiness to enter into discussions with the Japanese: fisheries and demilitarization of the border.

With reference to fisheries Mr. Litvinoff expressed the opinion that there was little in this matter to cause difficulty, in view of the fact that both sides were prepared to consider the necessities of the other.

In regard to demilitarization, Mr. Litvinoff remarked that demilitarization within a country usually
followed

- 2 -

followed hostilities, but there had been no hostilities between Japan and Russia, and for his part he hoped and believed that no hostilities would occur between Soviet Russia and Japan. However, he thought this matter might be discussed between the two countries on the basis of mutual demilitarization.

Nelson Trusler Johnson,
American Minister.

I gathered from Mr. Bitner's conversation, but not from any direct statements which he made, that Russia contemplates with a certain amount of equanimity the development of a "clash" involving Japan, Great Britain and the United States for control of the Chinese market. It is Mr. Bitner's belief - and I imagine that he has so developed his thesis in reporting to his own Government - that the United States is the party chiefly interested in this market because of its present dominant position in China's trade. Mr. Bitner by no means said so in direct words, but I inferred that Soviet Russia would view with complacency the involvement of these three countries in such a dispute leading possibly to actual warfare, as it would relieve Soviet Russia of danger.

N.T.J.

NTJ:EA

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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.Harbin/76 FOR Despatch #100
FROM Harbin (Adams) DATED Mar.2,1935
//P//// NAME 1-1127 ...

REGARDING: Sino-Japanese relations:Comments on widespread newspaper publicity given to the pressure which Japan is bringing to bear upon China for closer economic and political cooperation and China's attitude to this obviously dangerous offer of "assistance".Effect of China's desperate financial situation, on her attitude toward Japan.

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695-9

b. Sino-Japanese Relations. It is only natural that, following the amelioration of the relations of Japan, "Manchukuo" and Russia, Japan should take the next step in her Asiatic program. The wide newspaper publicity given to the pressure which Japan is bringing to bear upon China for closer economic and political "cooperation" is, therefore, not surprising. But considerable surprise is expressed in Manchuria at China's apparently almost willing response to what, from her viewpoint, is obviously a dangerous offer of "assistance".

It is evident that events are marching with Japan's plans or that she is making her plans to march with events, because the desperate financial and monetary position of China tends to cause the latter to clutch any opportunity for help without ^{much} regard for the ultimate cost. The writer has not seen any considerable newspaper attempt to connect the desperate condition in China with the American Government's silver policy. One Japanese newspaper item which suggests that the American silver policy may be tending to force China into Japan's hands is the following Kokutsu telegram dated Tokyo, February 12, 1935:

"Reports confirm that Nanking is eagerly seeking Japanese help to rehabilitate wretched financial and economic conditions in the country. Nanking is said to be suffering the most severe financial crisis owing to large appropriations for the anti-red campaign and to the silver policy of the United States.

"It is reported that Nanking agents are approaching Japanese authorities and businessmen in Shanghai for a loan to save the possible bankruptcy of China."

-There-

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

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There have, however, been numerous comments on the damage which the American silver policy is alleged to be inflicting on China. On the subject of the American silver policy, the Chairman of the Hongkong and Shanghai Banking Corporation had the following to say on February 23, 1935, on the occasion of the annual meeting of the directors of that institution:

"All I will say is that so far it has benefited an insignificant number of persons to an unconvincing extent, while it has been the cause of serious dislocation which may yet prove disastrous in a country containing one quarter of the world's population."

III. INTERNAL POLITICAL ACTIVITIES.

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 894.00 P.R./87 FOR Despatch #1205

FROM Japan (Grew) DATED Mar.19,1935.
TH///// NAME 1-1127 ***

REGARDING: Reported Negotiations toward a Sino-Japanese
Rapprochement: Rumors and significant happenings
in connection with --.

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II. RELATIONS WITH OTHER COUNTRIES.

(a) China.

(1) Reported Negotiations toward a Sino-Japanese Rapprochement.

793.94
Although Foreign Office officials continued to issue denials that any concrete negotiations toward a Sino-Japanese rapprochement were taking place, rumors concerning such negotiations multiplied and became more and more muddled during the month.** The press in Japan and Japanese news agencies in China professed to see great significance in every interview that took place between Chinese and Japanese officials and in general attempted to create the impression that China, having seen the error of its ways, felt the need of improving its relations with Japan and also of obtaining economic assistance from that country. For

example

* Department's telegram No. 28, February 28, and the Embassy's telegram No. 42, March 2, 1935.
** Embassy's telegrams No. 22 of February 2 and No. 43 of March 2, 1935.

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example, NIPPON DEMPO (News Agency) of February 4 stated that China had at last come to realize the futility of relying on the Western Powers, particularly Great Britain and the United States, for assistance and that this realization had been revealed by China's new move toward Japan. On the other hand, very little was said in newspaper reports about Japan's immediate desiderata in connection with such negotiations other than this country's insistence upon the cessation by the Chinese of anti-Japanese agitation. Neither has there been much comment about Japan's ultimate aims as a corollary of a Sino-Japanese rapprochement, excepting for Japan's ardent desire for "the establishment of peace in East Asia", albeit this vague phrase undoubtedly covers specific and very definite ambitions on the part of Japan.

Although it is not likely that Japanese intentions are in any way nebulous or that Japan would consider lending assistance to China, whether economic or political, without some solid form of compensation, the Foreign Office spokesman declared on February 4 that Japan was not making any demands on China; on February 15 he stated that no special committee had been organized in the Foreign Office to consider Sino-Japanese economic cooperation and that no tangible plan had been drawn up; and, with reference to the suspicion of certain foreign critics concerning the Japanese motives behind the negotiations with China, Mr. Amau on February 27 accused such critics of attempting to keep Japan and China apart and to disturb peace in the Far East. On the last-named date the spokesman said that all Japan wanted was friendly relations with China for the maintenance of peace in this part of the world and that Japan hoped that

other

- 8 -

other countries would understand "its real intentions".

According to newspaper reports, the Minister for Foreign Affairs and officials of the Foreign Office, Navy officials, and business circles have expressed their confidence in China's motives and their optimistic feelings concerning the probability of a diplomatic and economic rapprochement between China and Japan, while the Army authorities have remained skeptical of Chinese sincerity and pessimistic as to the eventual outcome of the present negotiations for cooperation between the two countries. The ASAHI, the JIJI, and the KOKUMIN of February 17 reported that the Army authorities were doubtful concerning China's alleged change of attitude with regard to anti-Japanese agitation and boycott and that they were determined not to mitigate their vigorous attitude until China's change of view was proved beyond a doubt. In an interview with Dr. Wang Chung-hui, a judge of the Permanent Court of International Justice at The Hague, the War Minister is reported to have reiterated the Army's contention that an abandonment of anti-Japanese agitation in China is a prerequisite to any improvement in relations and to have stated that the Japanese Government was attaching the greatest importance to the promises of Chinese officials to eliminate anti-Japanese organizations in China. General Kenji Doihara, Chief of the Kwantung Army's Special Service Administration at Mukden, is reported by NIPPON DEMPO to have stated in Shanghai on February 17 that recent anti-Japanese actions could be taken as an indication that the Chinese were not yet wholly sincere in their promises to control anti-Japanese activities.

(2) Settlement of the Jehol Incident.

According to press reports, at the conference held at Tatan between representatives of the Kwantung Army and of

General

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

- 9 -

General Sung Che-Yuan for a settlement of the Jehol
incident, it was decided to define the Jehol-Chahar boundary
by a line running from Shiehtaochengtze to Nanshiehlitze
to Tungchatze.*
GDA

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

DOCUMENT FILE

NOTE

SEE 893,515/540 FOR despatch #3449

FROM China (Johnson) DATED March 21, 1935
TO NAME 1-1127 ***

REGARDING: Sino-Japanese relations and question of an international
loan to China and economic cooperation between China
and Japan.

dg

793.94/6961

6961

TELEGRAM RECEIVED

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

RB

SPECIAL GRAY

1-1836

FROM

Peiping *Nanking*

Dated April 25, 1935

Rec'd 4 a. m.

Secretary of State
Washington.



83, April 25, noon.

One. A Vice head of a Government Ministry who is Cantonese has informed me that the present apparent dilatoriness of the Japanese in pushing their program to aid the Chinese Government had given the latter an opportunity to make progress toward an effective rapprochement with the Southwest and has given the Canton party time to realize that it must cooperate with Nanking for its own sake as well as for the sake of the rest of China. Hu Han Min, he stated, is really a dying man, and can no longer be considered a protagonist of great importance.

Two. Informant stated that the Chinese Government is at present (#) to the belief that the Japanese will not make any further definite moves until some time in the coming summer after the Kweichow Szechuan situation is liquidated and Chiang Kai Shek takes up summer residence at Kuling.

The Japanese

793.94/6962

FILED

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

RB

2-83, April 25, noon from Peiping

The Japanese, he indicated, have not so far made any actual demands; they have merely "mentioned" their desires and something more officially articulate can surely be expected before the summer passes.

Three. There is undoubtedly a lull in Japanese - Chinese conversations which gives appearance of protraction and, while a head of the same Ministry recently remarked that the situation had reached a "deadlock", it would probably be more accurate to say that the Chinese are delaying action in respect to desires and the Japanese are exercising patience and marking time.

ATCHESON

WSB

CSB
(#) apparent omission

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

May 2, 1935.

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

Mukden's despatch of March 30, 1935, encloses a copy of a press interview with Major General Doihara after his return from China to "Manchukuo" in which Doihara stresses the pro-Japanese sentiment which he found in China, particularly in Kwangsi province, and points out that, as various organizations in south China are strongly opposed to the Kuomintang, Japan must be careful in offering assistance to Nanking in order not to become embroiled in the vortex of Chinese politics.

Consul General Ballantine states that from his experiences in south China he would be inclined to discount Doihara's statement of pro-Japanese sentiment there and points out that the wide publicity given to Doihara's visit to China is largely inspired by a desire to impress the Japanese public that the Japanese army is first in peace as well as first in war.

EW
EW/VDM

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.

AMERICAN CONSULATE GENERAL

Mukden, Manchuria, March 30, 1935.

SUBJECT: Press Interview Given by General Doihara.

1-1403

RECEIVED
THE HONORABLE
THE SECRETARY OF STATE
WASHINGTON.

SIR:

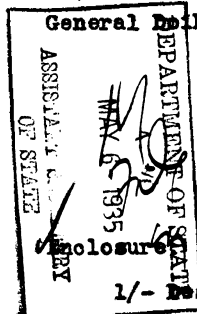
1935 APR 29

WASHINGTON.

For Distribution-Check			
Grade	M	To field	Yes
For		In U.S.A.	No
Ballantine		ONI	MID

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

I have the honor to enclose a copy of my
despatch No. 75 to the Legation at Peiping, dated
March 30, 1935, entitled "Press Interview Given by
General Doihara".



Respectfully yours,

J. W. Ballantine
J. W. Ballantine,
American Consul General.

1/- Despatch No. 75, as stated.

800
che

FILED
MAY 7 1935

793.94/6963

F/G

No. 75.

AMERICAN CONSULATE GENERAL,

Mukden, Manchuria, March 30, 1935.

CONFIDENTIAL - For Staff Use.

SUBJECT: Press Interview Given by General Doihara.

The Honorable

Nelson Trusler Johnson,

American Minister,

Peiping, China.

Sir:

1/-

I have the honor to enclose copies of an item put forth in the March 27th English edition of the KOKUTSU News Service containing a press interview given at Hsinking by Major General Doihara, referred to as the Japanese soldier-diplomat whose exploits have won him the sobriquet of "Japan's Lawrence of Manchuria", regarding his recent visit to China.

The interview which was given following Doihara's report on his mission to General Minami, is not particularly informative, and from my recent experience in South China I should be inclined to discount his statement regarding the extent of pro-Japanese sentiment there. If his tour through Kwangsi did in fact as he avers impress him that such sentiment was more widespread in that province than elsewhere, public feeling must have undergone a complete change since the time, not more than three years ago, when patriotic zeal there took the form of covering far and wide walls with the slogan "Resist Japan and Save the Country".

The

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

-2-

The probability of the matter is that it suits General Doihara's purpose to accept at their face value such professions of friendship towards Japan as the Southern leaders felt were demanded by courtesy and expediency, since it is not to be doubted that the wide publicity which has been given to the General's visit to China is largely inspired by a desire to impress the Japanese public that the Japanese Army is first in peace as well as first in war. This and similar interviews are therefore of interest not for their contents so much as the light they throw on the methods of the Japanese military group in gaining popular support.

After making his report to his chief at Hsinking, General Doihara left for Tokyo for the announced purpose of reporting to the Japanese Government.

Respectfully yours,

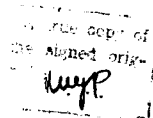
JOSEPH W. BALLANTINE
J. W. Ballantine,
American Consul General.

Enclosure:

1/- Copies of An Item in the English Edition
of KOKUTSU News Service, as stated.

5 copies sent to Department by despatch No. ---
dated March 30, 1935.
1 copy to Embassy, Tokyo.
1 copy to Consulate General, Harbin.
1 copy to Consulate, Dairen.

800
JWB:che



DOIHARA GIVES PRESS INTERVIEW

HSINKING, March 26 (Kokutsu) -

"With Japan's Manchurian policy definitely established following the reorganization of Japanese administrative organs in this country, I took the opportunity of visiting China in order to interview leaders of the Chinese Government and prominent citizens and explain to them that the healthy development of Manchoukuo was conducive to the establishment of peace in the Far East", stated Major-General Kenzo Doihara in an interview with the press here this afternoon.

Major-General Doihara, whose exploits have won him the sobriquet of "Japan's Lawrence of Manchuria", held another important conference to-day with the Commander-in-Chief of the Kwantung Army, General Minami, at whose request he had recently made the extensive inspection tour of China. As a result of today's conference, General Doihara will leave for Tokyo tomorrow by order of General Minami to report to the Japanese Government on the present political conditions in China.

The Japanese soldier-diplomat continued that it was true that the Nanking Government had recently changed its attitude towards Japan. He, however, added that its sincerity could not be judged until it had shown it with actual results in the future. He hoped that the Government would come to realize its erroneous policy of opposing a foreign country with another country's help, and approach Japan with the firm intention of establishing permanent peace in the Far East.

"Chinese who understand the Japanese spirit of the Imperial Way and who awaken to Oriental civilization are our comrades, regardless of their class distinctions", he said. "In fact there are such comrades in China. For instance, contrary to reports that tense anti-Japanese sentiment was prevailing in Southwest China, I found out in my recent visit that not a few Chinese there entertained a favourable feeling towards Japan.

"It was during my tour of Kwangsi that I received a most favourable impression. Although the local governments there did not issue any statement as the Nanking Government had done, I found that pro-Japanese sentiment there was much more pronounced than other districts in China. By taking advantage of the favourable popular sentiment existing there toward Japan, I believe there is a need of cooperating with Chinese who really hope for the promotion of economic relations with Japan.

"In South China I found various organizations strongly opposed to the Kuomintang. If the Japanese Government should offer political assistance to the
Nanking

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

-2-

Nanking Government, a great deal of caution must be exercised on this point as there is a danger of Japan becoming embroiled in a vortex of Chinese politics to no purpose.

"In conclusion I wish to say that we must never forget to lead China properly in the same spirit with which we are contributing to the development of Manchoukuo."

chs

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

DOCUMENT FILE

NOTE

SEE 500.A 44/2894 FOR Memorandum
Confidential File

FROM State Department
Far Eastern Division (Hornbeck) DATED Dec. 12, 1934

TO NAME 1-1127 470

REGARDING: Treaty with respect to policy toward China:
Telephone conversation between ex-Secretary of State
Stimson and Mr. Hornbeck regarding conference under
the Nine Power Treaty with Great Britain. Manchuria
situation commented on.

jf

793.94/6964
6964

Confidential File

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS
May 14, 1935.

~~MSM:~~
~~EHD:~~
~~ROM:~~
MMH:

Yunnanfu's despatch No. 39, March 28, 1935, in regard to anti-Japanese sentiment in Yunnanfu.

No action required.

The despatch points out that while anti-Japanese propaganda continues and while the members of the local Japanese community of approximately twenty people (who returned in June 1934 after the 1931 evacuation) continue to be treated as social outcasts, there is everywhere indication that the boycott of Japanese goods is slackening in intensity and is being avoided by various subterfuges.

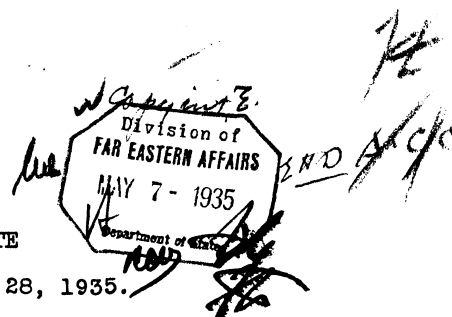
EW
EW/VDM

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. 39

AMERICAN CONSULATE

Yunnanfu, China, March 28, 1935.



193.94
note
193.94/12

SUBJECT: Transmitting Copies of Despatch No. 35
to the Legation - Continuance of Anti-
Japanese Sentiment in Yunnanfu.

For Distribution-Check		Yes	No
Grade			
For	G		
	To field		
	In U.S.A.		
Ringswalt		ONI	MID

The Honorable

The Secretary of State,

Washington.

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

793.94/6965

PM REUB



MAY - 6 35

I have the honor to transmit herewith copies in
quintuplicate of this Consulate's Despatch No. 35 to
the Legation at Peiping, dated March 28, 1935, report-
ing the continuance of anti-Japanese feeling in Yunnan-
fu. Despite this sentiment, it appears, however, that
more and more effective ways are being found to cir-
cumvent the anti-Japanese boycott.

Respectfully yours,

Ringswalt
Arthur R. Ringswalt,
American Vice Consul.

FILED
MAY 10 1935

Enclosure:
Despatch No. 35 to the Legation,
dated March 28, 1935.

In quintuplicate.

File No. 800
JSS

F/FG.

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

No. 35

AMERICAN CONSULATE
Yunnanfu, China, March 28, 1935.

SUBJECT: Continuance of Anti-Japanese
Sentiment in Yunnanfu.

The Honorable

Nelson Trusler Johnson,
American Minister,
Peiping.

Sir:

I have the honor to refer to this Consulate's
Despatch No. 177, dated July 24, 1934, and previous
despatches, regarding anti-Japanese sentiment in Yun-
nanfu, and to report that, while due to one subterfuge
or another the boycott of Japanese goods is being to
a certain extent evaded, the Japanese Consular Agent
and his family continue to meet with petty annoyances
from all sides.

Apparently it is only in the provinces of Kwangtung
and Yunnan that the anti-Japanese sentiment continues
unabated. The Cantonese have, of course, long been the
prime movers of the anti-Japanese boycott throughout
China. The fact that the movement persists here is due
largely to the fact that most of the business on a
comparatively large scale in this province is in the
hands of the Cantonese merchants. Aside from purely
sentimental reasons, they would stand to lose most
should the boycott of Japanese goods cease to be operative.

Mr.

- 2 -

Mr. C. Tonegi, the Japanese Consular Representative in Yunnanfu, is constantly subjected to petty persecution. He is unable to get good servants, and those he does succeed in employing are forced to quit after a month or so. Recently he was able to secure the services of a servant who had previously been in the employ of the Japanese Consulate here for eight years. However, certain suspicious actions on the part of the servant have convinced Mr. Tonegi that the man was sent to the Consulate in order to spy upon the household. He has informed the undersigned that of the five hundred odd graduates of Japanese schools in Yunnan, there are a number of former students who naturally retain no little friendly feeling for Japan, but with the exception of a very few personal friends, he seldom sees any of them. He states that no person connected with the government here would dare to be seen entering the Consulate, for fear of losing his job.

The Japanese evacuated Yunnanfu in a body on October 5, 1931. On June 14, 1934, Mr. Tonegi, accompanied by some twenty other Japanese nationals returned to this city. Mr. Tonegi was formerly connected with the Japanese Consulate in Swatow. When the question of reopening the Consulate here was raised, the Japanese Foreign Office received assurances that strict orders would be issued to the effect that all anti-Japanese activities in this district would be rigorously suppressed. Mr. Tonegi accordingly proceeded to Indo-China where a number of Japanese nationals were temporarily residing

pending

DECLASSIFIED: E.O. 11652, 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 -

pending their return to Yunnanfu. When he was in Hanoi, he requested his government again to approach Nanking, with a view to confirming its previous assurance that no anti-Japanese activities would be permitted in Yunnanfu should the little Japanese colony return there. On the receipt of renewed assurances that there would be no trouble, the Japanese returned to Yunnan, only to meet with open hostility and threats of violence from all sides. Mr. Tonegi feels that, even were such instructions issued by Nanking to the Provincial Government, they never got beyond Chairman Lung Yun himself.

It is anticipated that General Chiang Kai-shek will arrive in Yunnanfu sometime during the month of April. Mr. Tonegi has requested the Special Yunnan Delegate of the Ministry of Foreign Affairs to arrange for a meeting with General Chiang. He has not stated the reason for his desire to have a personal audience with Chiang Kai-shek for fear that every obstacle will be put in his way to prevent the meeting taking place at all. Mr. Tonegi believes that there has recently been considerable rapprochement between China and Japan and that the attitude of General Chiang is now much more inclined to be friendly than before. Should he be able to present his case, and that of his nationals resident here, directly to the Generalissimo, he feels that General Chiang will immediately order all anti-Japanese activities stopped.

While anti-Japanese propaganda continues, and while the local Japanese are still treated as social outcasts, there is everywhere indication that the boycott of

Japanese

- 4 -

Japanese goods is slackening in intensity. There are numerous means of avoiding the boycott. The most common method is to ship Japanese goods to Shanghai where the marks denoting the country of origin are either obliterated or false marks substituted. A considerable quantity of Japanese products arrive by parcels post. A third method is for Japanese merchants to accumulate goods in Indo-China until an entire freight car may be profitably reserved. With the passage of a little money, the Chinese Customs can be persuaded to seal the car, and thus inspection by local anti-Japanese organizations can be avoided. According to the Japanese Consulate, some Yen 25,000 worth of Japanese goods has trickled into Yunnanfu during the past seven months, exclusive of that shipped by parcels post.

With care, the few Japanese merchants here can do business on a fairly profitable scale. One particular merchant is conducting a considerable wholesale business. There is also being developed a method whereby Chinese merchants are secretly permitted to deal in Japanese goods provided they pay a "fine" to the appropriate officials.

Respectfully yours,

A true copy of
the signed original.
[signature]

Arthur R. Ringwalt,
American Vice Consul.

In duplicate.

Quintuplicate copies sent to the Department under cover of Despatch No. 39, dated March 28, 1935.

File No. 800
ARR:JSS

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Shanghai/78 FOR #9981

FROM Shanghai (Cunningham) DATED Apr. 3, 1935.
TO NAME 1-1187 ...

Relations:

REGARDING: Sino-Japanese Rapprochement

FRG.

793.94/6966
6966

b. Relations with other Countries:

Relations with Japan

793.94
Sino-Japanese rapprochement: The great prominence given to the issue of a Sino-Japanese rapprochement during the month of February, 1935, dwindled rather appreciably in the month under review, not from lack of interest in this issue but rather from the overwhelming importance of economic and financial matters. Early

in

-3-

in the month Mr. Wang Chung-hui was quoted as saying:

"I leave Japan convinced that Sino-Japanese relations have taken a decided turn for the better and feeling that, given the same goodwill on both sides, concrete issues might be taken up with every chance of success."

There seems to be no doubt that, despite publicity, an advance in Sino-Japanese understanding, at least in so far as the leaders are concerned, has been made (see despatches Nos. 8351, 8354, 8360, 8366 and 8395 of March 1, 6, 7, 19 and 26, 1935, respectively, and telegram of March 6, 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. Quisenberry NARS, Date 12-18-75

793.94

DOCUMENT FILE

NOTE

SEE 893.00 P.R. Nanking/86 FOR #D-753 Consular

FROM Nanking (Peck) DATED April 8, 1935.
TO NAME 1-1127

REGARDING: Sino-Japanese Rapprochement.

793.94/6967
6967

FRG.

793.94
Sino-Japanese Rapprochement

The first concrete step to improve the relations between China and Japan and to increase trade between the two nations was taken by China early in March. This action was in the form of a National Government Mandate issued on March 2 and sponsored by General Chiang Kai-shek and Dr. Wang Ching-wei, in which the attention of all Government officials was drawn to the following two articles of the Provisional Constitution:

"16. Except in accordance with law, no private property shall be seized or confiscated."

"37. All persons shall be free to choose their profession or occupation. But when it is contrary to the public interest, the State may, by law, restrict or deny such freedom."

The Mandate then went on to point out that the local authorities have on various pretexts infringed upon the rights guaranteed the people by the Constitution, and ordered that in the future these sections of the Constitution be strictly observed.

The general interpretation placed upon the issuance of this Mandate is that merchants desirous of dealing in Japanese goods will receive the protection of the National Government and will therefore be freed from the danger, which they constantly faced in the past, of being singled out by some patriotic society as traitors to their country and of having their stocks destroyed and their lives

endangered

-4-

endangered. In other words the National Government, which up until recently has been placing no obstacles in the path of the anti-Japanese boycott, if it has not been secretly lending its assistance, has now come out with a statement which is interpreted as meaning that it will no longer permit the interference of over-zealous citizens with the affairs of others merely because the latter happen to be trading with Japan.

As an indication that the anti-Japanese boycott is fast becoming a thing of the past the following figures quoted from a Reuters despatch from Osaka dated March 16 are of interest. Japanese exports to China proper during the month of February 1935 were reported as having been valued at Yen 11,143,000 while for the corresponding month of 1934 they were valued at a little more than seven million yen. From a reliable source this office has learned that during March fifty tons of Japanese sugar were delivered in Hsuehchow (徐州), Kiangsu, having been imported at Tsingtao and shipped from there by rail. It is also understood that a shipment of Japanese sugar was unloaded by one of the Japanese steamers plying on the Yangtze at Wuhu, Anhwei. These facts are reported as indicative of the change in attitude toward the purchase of Japanese products. It is understood that up until recently practically no Japanese sugar has been distributed in this consular district since the Mukden Incident in 1931.

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

793.94

DOCUMENT FILE

NOTE

SEE 893.00/13072 FOR #9986

FROM Shanghai (Cunningham) DATED April 8, 1935.
TO NAME 1-1127 ...

REGARDING: Japanese Political and semi-Political Organizations now
operating in Shanghai: List of-, transmitted.

FRG.

793.94/6968
6968

9986

Shanghai, China, April 8, 1935.

Japanese Organizations in Shanghai.

1/ With reference to previous despatches and reports from this Consulate General mentioning Japanese organizations in Shanghai, I have the honor to transmit herewith a list of the Japanese political and semi-political organizations now functioning in this city, which list has been compiled by Special Branch of the Shanghai Municipal Police.

Respectfully yours,

Edwin S. Cunningham,
American Consul General.

Enclosure:

1/- List of Japanese Political and semi-political Organizations.

800

C. R. JLM *Wm*

In quintuplicate

Copy to Legation

Copy to American Embassy, Tokyo

Enclosure No. 1 to despatch No. 9986 of T-4 in S.
 Cuninghame, American Consul General at Shanghai, China,
 dated April 8, 1935, on the subject: "Japanese organiza-
 tions in Shanghai."

Copy

List of Japanese Political and Semi-Political Organizations

<u>Name and address of organization</u>	<u>Strength of following</u>	<u>Names of Principal Officers</u>	<u>Objects of Organization and remarks</u>
1. Japanese Residents' Corporation 120 Huinean Road.	40 members elected bi-annually by ratepayers.	Mr. Sugimoto (Acting President) Mr. Nishida (Chairman) Mr. Y. Ikeda (Vice-Chairman)	Administrative organ functioning in accordance with law. Its officials conduct negotiations with U.S. and Chinese authorities in matters affecting Japanese.
2. Japanese Amalgamated Association of Street Vendors. 298 Boone Road.	11,000 members of 50 street unions	Mr. Asano (Chairman) 18 members of Standing Committee	To secure better understanding among Japanese generally and promote welfare of members.
3. Koh-in Club (Associated Citizen's Club) 159 Boone Road.	80	N. Yano (Chairman) S. Yeto (Vice-Chairman) T. Tanabe H. Hayashi K. Kobayashi	Organized on March 17, 1935, to demand a change in the policy of the Japanese Residents' Corporation, so that the interests of people of moderate means will be given fuller consideration.
4. "Chawakai" (Informal Gathering) No office	6	N. Yano S. Yeto I. Wakabayashi H. Hayashi K. Kobayashi K. Sato	Formed unofficially in March, 1935, by members of the Japanese Residents' Corporation. It opposed the appointment of a paid president and demanded that the regulations governing rehabilitation loans be revised. The members of the "Chawakai" also belong to the "Koh-in Club"
Min-Yu Club (Friendly People's Club) No office.	10	Y. Yodama T. Tokunaga S. Okajima	Organized by leading business men in Hongkew District to present their opinions to the Corporation. Its members wield considerable influence in Street Unions. Although the members of the Min-Yu Club and Koh-in Club are recruited from a somewhat similar stratum of society the views of the two bodies differ considerably.

A true copy of the signed original.

Copied by: J. H. H. H.
 Compared with: J. H. H. H.

DECLASSIFIED: E.O. 11652, 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
June 3, 1935.

~~MSM:~~
~~EHD:~~
~~ROM:~~
~~MHR:~~

Peiping's despatch No. 3513 of April 17, 1935, in regard to the question of a Sino-Japanese rapprochement.

No action required.

The despatch encloses under cover of a despatch from Nanking (a) a memorandum of conversation between Consul Vincent and the First Secretary of the Soviet Embassy, and (b) a memorandum prepared by Consul Vincent which briefly discusses the various points brought out by the Secretary of the Soviet Embassy and gives his (Mr. Vincent's) views on these points.

I suggest that memorandum (b) be read in its entirety.

EW
EW/VDM

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



LEGATION OF THE
UNITED STATES OF AMERICA

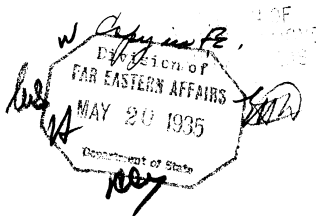
No. 3513

Peiping, April 17, 1935.

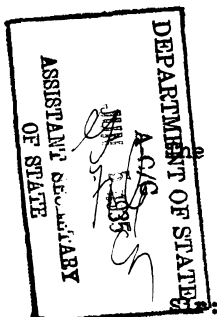
Subject: Sino-Japanese Rapprochement MAY 18 12 29

CONFIDENTIAL

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For Distribution Check		Yes	No
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	Vincent		
	in U.S.A.		✓



793.94/6969

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

I have the honor to enclose a copy of despatch
1/ No. 686 of April 13, 1935, from the Office of the Legation at Nanking, forwarding copy of a memorandum of a conversation between Mr. A. Mennie, First Secretary of the Soviet Embassy, and a member of the Legation's staff with regard to the Sino-Japanese rapprochement and also a copy of a memorandum on the same subject based on that conversation.

Respectfully yours,

Nelson Trusler Johnson
Nelson Trusler Johnson.

F/F.G.

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JUN 6 - 1935

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

- 2 -

Enclosure:

Copy of despatch No. 686,
April 13, 1935, from the
Nanking Office of the Le-
gation.

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LES-SC

Original and four copies to Department.

*1 copy
Mr. McNamara*

*4 Carbon copies
Received 7-1-75*

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

L-686 Diplomatic

ENCLOSURE No. 1
TO DESPATCH No. 3513

Nanking Office,
April 13, 1935.

CONFIDENTIAL

Subject: Sino-Japanese Rapprochement.

The Honorable

Nelson Trusler Johnson,
American Minister,
Peiping.

Sir:

1/ I have the honor to enclose for the information of the Legation a memorandum of conversation between Mr. A. Mennie, First Secretary of the Embassy of the Union of Soviet Socialist Republics at Nanking, and Mr. Vincent of this office. Mr. Mennie and Mr. Vincent first became acquainted in Dairen where they were both stationed as consuls in 1932. This fact may account for the frankness with which Mr. Mennie discussed the issues involved in a possible Sino-Japanese rapprochement.

2/ There is also enclosed a memorandum prepared by Mr. Vincent on the basis of his conversation with Mr. Mennie.

Respectfully yours,

George Atcheson, Jr.,
Second Secretary of Legation.

Enclosures:

- 1/ Memorandum of conversation dated April 8, 1935.
- 2/ Memorandum dated April 10, 1935.

Original and five copies to the Legation.
Copy to the Embassy, Tokyo.

JCV:HC

A true copy of
the signed original
inal HC.

MEMORANDUM OF CONVERSATION

Nanking, China,
April 8, 1935.

Subject: Sino-Japanese Rapprochement.

Mr. A. Mennie, First Secretary of the Embassy of the
Union of Soviet Socialist Republics.
Mr. Vincent.

Mr. Mennie called to return Mr. Vincent's call made
some days earlier.

Mr. Mennie referred to the press report of an inter-
view given by Mr. Wang Ching-wei to John R. Morris of the
United Press on April 3, and particularly to that section
reading, "While he (Mr. Wang) declared no Sino-Japanese
rapprochement had been reached and added such a rapproche-
ment in the sense of a complete understanding was unattain-
able while Japanese troops occupied Manchuria and Jehol,
President Wang said he believed Japanese opposition had
played no part in reducing the prospects of early inter-
national financial assistance". He remarked that it was
interesting to observe that the spokesman of the Ministry
of Foreign Affairs had subsequently declared, according
to the press, that the contents of the interview did not
quite correspond to what Mr. Wang had said in the course
of the interview.

Mr. Mennie asked Mr. Vincent what he thought of the
character and prospects of a Sino-Japanese rapprochement.
Mr. Vincent replied that he had not been in Nanking long
enough to form an opinion on the basis of recent develop-
ments. Mr. Mennie believed the Japanese had made demands
of the Chinese Government but thought these demands were

of

-2-

of a general rather than of a specific nature. Mr. Vincent said that this also was his "guess", a guess being all he felt competent to make under the circumstances, and asked Mr. Mennie whether he thought the general demands included the issuance of a declaration on the part of the Chinese Government which could be interpreted as giving support to the policy suggested in the Amau statement of April, 1934. Mr. Mennie said that was what he had in mind when he mentioned general demands and went on to explain that a unilateral statement from the Chinese Government proposing Sino-Japanese cooperation and consultation in matters pertaining to the Far East would greatly strengthen the hands of the Japanese in dealing with the Western Powers with respect to matters concerning China. Although he did not believe the Japanese had placed a specific time limit on the Chinese taking action along the above lines, Mr. Mennie felt that support of a separatist movement in North China and Inner Mongolia, and probably assistance to the Canton faction, were mentioned by the Japanese as alternatives to the Chinese Government taking the desired action. Mr. Vincent expressed the opinion that the Japanese, certainly the liberal element, now preferred closer understanding and cooperation with the Chinese.

Mr. Mennie recalled a conversation he had early in 1932 in Dairen with a high ranking Japanese official whose name he did not divulge. This official in speaking of "Manchukuo" stated that the creation of that state was essential in order to form a buffer between Japan and Russia, and went on to say that the creation of another buffer state comprising parts of North China and Inner Mongolia was also viewed

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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-

as essential by the Japanese military. There would thus, according to the Japanese, be established between Japan and China on the one hand and Russia on the other a cordon sanitaire. The conversation was concluded with Mr. Mennie's remark that one buffer state seemed to call for another.

J. C. Vincent,
Second Secretary of Legation.

JCV:HC

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

MEMORANDUM

Nanking, China,
April 10, 1935.

Subject: Sino-Japanese Rapprochement

It is my opinion that Mr. Mennie's analysis of the situation is near enough the mark to merit consideration.

There are believed to be three desiderata impelling Japanese policy (or ambition) toward China at the present time. They are (1) increased Chinese imports of Japanese goods, (2) an understanding with China providing nominally for cooperation between the two countries but actually recognizing Japan as the arbiter of affairs in the Far East, and (3) formation of a cordon sanitaire in the north which will effectively prevent contact between China and Russia through Mongolia.

The first of these desires has been partially realized with the virtual cessation of the boycott and may be accomplished further through revision of the Chinese import tariff and through Japanese investment in China of a character which will create a demand for Japanese goods. Japan is not now primarily interested in investment in China for the sake of putting capital to work, liquid Japanese capital not being sufficient to warrant this, nor for obtaining Chinese raw materials. Of the four commodities - petroleum, wool, iron, and cotton - comprising about two-thirds of Japan's imports, only cotton can be obtained from China in large quantities and the quality of this cotton must be greatly improved before it will be suitable for Japanese cotton mills. The promotion of trade and strategical security will be the motives prompting any Japanese investment

in

-2-

in China for the present.

As Mr. Mennie states, an understanding with China which may be construed as approval of the Amau statement of April, 1934, will greatly strengthen Japan in dealing with the Western Powers in matters pertaining to China. Further, such an understanding, if sincerely observed by the Chinese, would allow the Japanese to view the possibility of a conflict with Russia with much less concern than they now do, and would permit them more freedom to prepare for the eventual extension and increase of their influence in the Netherlands India and Malay States area.

The desire for a buffer state or autonomous area under Japanese control between China and Russia is, as Mr. Mennie points out, contingent upon the failure to reach an understanding with China which can be relied upon. The Japanese, certainly the liberals, prefer an understanding. The military want both, but at the present time are probably prepared to be satisfied with one or the other.

John Carter Vincent,
Second Secretary of Legation.

JCV:HC

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

-3-

of Japanese motives but I also gathered that he was no longer refusing to see the Japanese and discuss matters with them as was the case two years ago.

Mr. Soong stated that he had found among Japanese bankers and business men a much more sympathetic attitude than was formerly the case and that he had in recent months had many conversations with Japanese bankers indicating a readiness on their part to cooperate with China. I did not learn, however, how Mr. Soong and the Japanese bankers felt such cooperation could be brought about but I inferred from what he told me that he was convinced that such cooperation was going to be difficult if China was to benefit equally with Japan in such arrangements.

Nelson Trusler Johnson,
American Minister.

NTJ:HC

DECLASSIFIED: E.O. 11652, 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

May 27, 1935.

*asm
m y*

Tientsin's despatch no 727
of April 12, 1935, in regard
to Sino-Japanese rapprochement.

no action required

I suggest that the enclosed
brief despatch to the Legation
be read in its entirety.

EW.

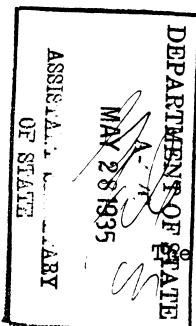
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Quigley NARS, Date 12-18-75

No. 727

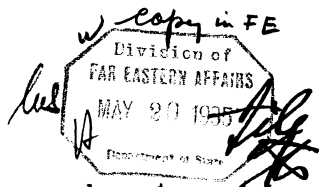
RECEIVED
AMERICAN CONSULATE GENERAL,

Tientsin, China, April 12, 1935.

CONFIDENTIAL



Subject: Sino-Japanese rapprochement
proceeds behind the scenes.



Honorable

The Secretary of State,
Washington.

For Distribution To:		No.
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For	Ward	ONE MID

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

Sir:

1/ I have the honor to transmit herewith a copy
of my despatch No. 904 of today's date, addressed
to the Legation, on the above subject.

Respectfully yours,

✓
David C. Berger
David C. Berger
American Consul.

Enclosure:

1/, To Legation, No. 904, April 12, 1935.

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RSW:JB

In quintuplicate to Department.

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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

No. 904

Enclosure No. 1 in Despatch
No. 227, Dated April 12, 1935
From the American Consulate General
at Tientsin, China.

AMERICAN CONSULATE GENERAL,

Tientsin, China, April 12, 1935.

CONFIDENTIAL

Subject: Sino-Japanese rapprochement
proceeds behind the scenes.

The Honorable

Nelson Trusler Johnson,
American Minister,
Peiping.

Sir:

I have the honor to refer to the Consulate General's monthly political review for December, 1934, in which reference was made to the accumulating evidence that a Sino-Japanese understanding was approaching, and in connection therewith to report here that, according to information given today in confidence to a member of the staff of this Consulate General by a member of the local Chinese officialdom who is unquestionably in a position to know whereof he speaks, efforts to effect a genuine Sino-Japanese rapprochement are continuing

- 2 -

continuing quietly behind the scenes despite the abatement of public interest in the question.

The official referred to stated that on or after the first of May, Yin T'ung, the Managing-Director of the Peiping-Liaoning Railway, and heir to Huang Fu's position in the North as the guiding spirit of Chinese submission to Japanese demands in Huapei, will leave for Japan, possibly accompanied by Ariyoshi, the present Japanese Minister to China. His visit to Japan will be followed by those of other prominent Chinese officials, and it is expected that some Japanese of suitable rank will later repay these by a trip to Nanking. The constant object of these amenities will be the development of a spirit of friendliness in the warmth of which it will be possible for Japan to offer, and for China to accept, some solution of the present Sino-Japanese impasse which will leave China sufficient "face" to permit her to remain unembarrassed among the family of nations, and at the same time afford Japan such access to Chinese resources and trade as she considers essential.

The informant stated that a proposition has actually been discussed in conferences at Mokanshan, Shanghai, and Nanking, whereby Japan would consent to return to China the administrative control of the former Three Eastern Provinces, while retaining for herself the control of the timber, mineral, and
other

DECLASSIFIED: E.O. 11652, 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 -

other resources of the region, together with that of the railway system. Under this scheme Japan would also be empowered in practice to choose the Chinese officials who were to function within the limits of the present "Manchukuo". This plan was characterized by the informant as one which permitted Japan to eat all the meat out of the walnut while she handed back to China the complete but empty shell.

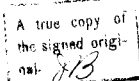
In connection with the statements of alleged fact and of opinion retailed above, the Legation's attention is respectfully invited to the fact that while they represent the beliefs of a usually well informed local official, they should be accepted only for what they may be worth. It should perhaps also be noted that at a time when the "Emperor" of "Manchukuo" is being received with such marked honor by the Emperor of Japan, it is hardly conceivable that the representatives of the Japanese Emperor in Shanghai and Nanking should be discussing the rendition to China of even so shadowy a simulacrum of control over Manchuria as this proposal is alleged to envisage.

Respectfully yours,

David C. Berger,
American Consul.

800
RSW:JB

In duplicate to Legation.
In quintuplicate to Department under cover of
despatch No. 727, April 12, 1935.

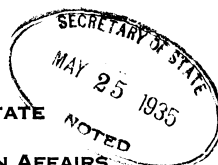


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Department of State letter, August 10, 1972
By Milton D. Quigley NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

May 25, 1935.



~~U: Mr. Phillips.~~

~~S: Mr. Secretary.~~

Reference Peiping's Nos. 211, May 23, noon, and 212, May 23, 2 p.m. and Nanking's No. 116, May 23, 5 p.m.

These telegrams report the despatch of Japanese troops into the demilitarized zone for the purpose of suppressing Chinese volunteers who had come from Jehol province (in "Manchukuo") and Japanese reaction to the murders on May 3 in the Japanese Concession at Tientsin of two Chinese editors reported to have been engaged in anti-Nanking propaganda. It will be recalled that the Tangku truce, signed May 31, 1933, terminated the Japanese advance in the spring of 1933 south of the Great Wall and provided for a demilitarized zone in that area.

These telegrams indicate that the Japanese are closely watching the situation in north China, are apparently intent upon enhancing their influence in that area, and are ready to use armed force in a disciplinary and exemplary way in order to further the Japanese policy of "cooperation" between China and Japan. It is believed that the military operations as such are unimportant.

WDM
WDM/VDM

W.M.H.

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

WSB

TELEGRAM RECEIVED

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

Peiping (via N R)

Dated May 23, 1935,

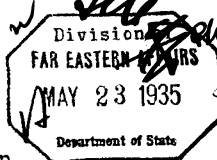
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FROM

Secretary of State,
Washington.

211, May 23, noon.



Copy sent to Moscow
June 25

Major Takahashi, Japanese Military Attache, on May 20 called on Pao Wen Yueh of the Peiping branch of Military council and charged that the Chinese were rendering assistance to Chinese volunteers under Sun Yung Chin who had entered Tsunhua (north Hopei) from Jehol; Takahashi said that unless the Chinese themselves suppressed the rebels the Kwantung army would despatch troops within the Wall on May 21st. In a meeting with Takahashi the same evening Yin Ju Keng, administrative inspector for the Miyun-Chihhsien area assured him that the Chinese would exert themselves to suppress the force of Sun Yung Chin and that there was no (repeat no) need for the Kwantung army to despatch forces inside the Wall.

On May 21 it was announced by the Tokyo War Ministry that a detachment of Kwantung army troops would enter the demilitarized zone for the work of suppression but that they would be withdrawn as soon as the task had been completed. Japanese forces actually entered the demilitarized

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

Peiping, page 2, No. 211

tarized zone on May 20 or 21.

According to Japanese Legation official the matter is only a minor one of no particular significance and is not (repeat not) likely to develop new aspects.

Repeated to Nanking. To Tokyo and Tientsin by mail.

For the Minister

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

DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

May 27, 1935.

Captain Pickerton told
me that the Navy Department
had received from the
White House a copy of
the attached.

M. M. H.

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

May 23 1935

THE SECRETARY OF THE TREASURY
WASHINGTON

May 21, 1935.

1935 MAY 21 AM 9 42



My dear Mr. Secretary:

I believe that the enclosed copies of confidential reports will be of particular interest to you, and I am, therefore, sending you a copy of both the original memorandum from our Treasury Attache abroad, Mr. M. R. Nicholson, and the summary made by Mr. Haas of this office.

As I have the originals, these need not be returned.

Sincerely,

The Honorable,

The Secretary of State.

Enclosures.

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JUN 22 1935

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

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May 16, 1935

To Secretary Morgenthau
From Mr. Haas
Subject: Summary of confidential report by Mr. Nicholson on Nanking's
pro-Japanese gestures.

1. The existence of a secret naval treaty between China and Japan has been confirmed by a high official in Waichiao. He pointed out that the return of Admiral Chen Shackman to his position as naval minister and the engagement of various Japanese advisers and naval experts indicates that the existence of this treaty is a fact. He further stated that most likely China will not engage any more foreign advisers in the future, and that any foreign adviser, whose term of service expires, would be replaced by Japanese.

2. Other pro-Japanese gestures include the calling off of the anti-Japanese boycott and the suppression of other anti-Japanese activities. The Government, in compliance with Japanese wishes, is about to issue a secret order to discontinue the refusal of Japanese advertisements in Chinese newspapers.

3. Several high Chinese officials regarded by the Japanese as unfriendly have been transferred to remote posts or removed from office. They have been replaced by men backed by the Japanese.

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JUN 22 1935

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

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TREASURY DEPARTMENT

BUREAU OF CUSTOMS

WASHINGTON

May 11, 1935

Memorandum for Mr. George C. Haas,
Director of Research and Statistics,
Treasury Department.

The attached confidential report of Treasury Attache
Nicholson, relative to an alleged secret naval treaty exist-
ing between China and Japan, and other negotiations affect-
ing the political life of those two nations, - while having
no pertinent bearing on the activities of this Bureau, may
be deemed of sufficient interest by the Secretary to bring
to the attention of the Department of State.

/s/ Thos. J. Gorman,
Deputy Commissioner of Customs.

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

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E.O. 11652, Sec. 3(E) and 5(D)
Treasury 12 Feb 73
NARS Date

UNITED STATES TREASURY DEPARTMENT

AMERICAN CONSULATE GENERAL

SHANGHAI, CHINA

April 10th, 1935.

Commissioner of Customs,
Division of Customs Agents, Political and Confidential
Washington, D. C.

Re- Nanking's Pro-Japanese Gestures.

Sir:

We have received the following report from our Nanking agent:-

"Following the Sino-Japanese proposed rapprochement resulting from the several conferences between Wang Ching-wei and Chiang Kai-shek and Arisoyoshi, Japan's Minister to China, and Suzuki, Japan's Military Attache, about two months ago, the Nanking authorities have made many adjustments to comply with the wishes of the Japanese officials.

Secret instructions were issued by the Central Political Council, in accordance with recommendations recently submitted by General Chiang Kai-shek and Mr. Wang Ching-wei, to the various local Government and Kuomintang organizations to call off the Anti-Japanese boycott in the whole nation. Special agents have been sent by General Chiang to all the important ports and cities to investigate and observe the results of these instructions. All public organizations of an Anti-Japanese nature were ordered closed and their responsible officials punished. General Chiang's special agents are now canvassing all Yangtze ports and will visit all other cities in the near future. The Japanese authorities are also making the same kind of survey separately. Representations and protests will be made by the Japanese to the Chinese authorities in case they discover the existence of any Anti-Japanese activities.

Another matter the Nanking authorities will shortly take up is the question of Japanese advertisements in Chinese newspapers. Since the massacre of Chinese in Korea following the Wan-pao-shan incident (), preceding the Manchurian trouble, all Chinese newspapers, periodicals, magazines and other publications have voluntarily decided to refuse to handle any Japanese business advertisements. This decision was faithfully carried out by all newspapers throughout the country and helped boycott activities immensely. Japanese business suffered great damage as a result of this action, especially the shipping business, as the shipping schedules of all Japanese liners

- 2 -

were refused advertisement in Chinese newspapers. It has been learned, from reliable quarters in Nanking, that both the Government and Kuomintang in compliance with Japanese wishes are about to issue a secret order to the chambers of commerce and newspapers to discontinue refusing Japanese advertisements in Chinese papers.

The Government has also appointed Mr. Shen Chin-ting (), formerly head of the Asia Division () of Waichiaopu, to be the Minister to Panama and Mr. Huang Chiao-Chin (), head of the fourth section of the Intelligence Division (), also of Waichiaopu, to be Consul-general at San Francisco. These appointments are matters of some significance. These two officials are considered well-versed in Japanese affairs and have been responsible parties in most of the dealings with the Japanese for the past three years. They are regarded by the Japanese unfriendly and their continuance in their present positions is deemed undesirable by them. The transfer, therefore, are made in order to satisfy the Japanese.

The important position as the head of Asia-Division in Waichiaopu following the transfer of Shen Chin-ting to the Panama post, will be held by Kao Tsung-wu (), a young returned student from Japan, who graduated only two years ago. The appointment of such an inexperienced young man to such an important post caused great surprise in official circles in Nanking but it was made to satisfy the Japanese, who gave this man unlimited backing.

The much respected and popular mayor of Nanking, Shih Ying (), is now out of office, having been practically forced to resign because of incidents in connection with the visit to Nanking of the Asahi Shinbun's (Japanese newspaper) good will aeroplane on March 20th, 1935.

The Central Government advised Shih Ying of the approaching visit of the Japanese good will plane and ordered him to prepare an elaborate official reception and entertainment for the pilot, Nomosaburo Shimno, and the mechanic Kenji Tsukakoshi. This met with Mayor Shin Ying's disapproval and he sent the Central Authorities a flat refusal. The Government, however, pointed out to him that as Mayor of the City he was the logical person to sponsor the official reception and urged him to carry out the Government's orders, whether he liked it or not. In the meantime the Central Government issued instructions to every Government organization in Nanking ordering them to send one or more delegates to the airport to participate in a rousing welcome to the good will fliers.

Upon arrival of the plane at Nanking Mayor Shih Ying sent a petty official to represent him at the airport. This petty official, perhaps misunderstanding the purport of his mission, did not give the aviators the required welcome, but instead proceeded to make 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

- 3 -

thorough search of the plane in the customary manner. This placed the aviators in a very embarrassing position and greatly angered Wang Ching-wei and other officials. As a result, Shih Ying sent in his resignation which was promptly accepted.

Shih Ying was a much respected and beloved official of the City Government of Nanking. Upon his departure from Nanking on April 2nd, 1935, thousands of people went to the railway station to bid him farewell, and it was noticeable that many wept. It is claimed that no Chinese official ever received such a testimonial of sympathy as was accorded Shih Ying by the populace upon his departure. His resignation is regarded as another step on the part of the Nanking Government to placate the Japanese.

There is also much significance in connection with the recall of Kwang Kwang-ling () former Chinese Consul General in San Francisco. It has been ascertained from reliable circles in the Waichiaoapu that he was recalled simply because he participated in the welcome given by the Chinese community in San Francisco in honor of the famous anti-Japanese hero of the Shanghai war, General Tsai Ting-Kai (), during his recent visit to the United States. The same kind of welcome was given him in other ports he visited by the Chinese community, but no Chinese Consular Officials participated therein. They had been warned by the Nanking Government not to take part in such receptions.

The existence of a secret naval treaty between China and Japan has been confirmed by a high official in Waichiaoapu, who has been acting as interpreter in various Sino-Japanese conferences and negotiations. He pointed out that the return of Admiral Chen Shao-kwan to his position as naval minister and the engagement of various Japanese advisors and naval experts indicates that the existence of this treaty is a fact. He further stated that most likely China will not engage any more foreign advisors in the future, and that any foreign adviser, whose term of service expires, would be replaced by Japanese."

Respectfully,

/s/ M. E. Nicholson
Treasury Attache

MRN:EMJ

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

May 22, 1935.

My dear Mr. Secretary:

I acknowledge the receipt of your letter of May 21 and of the copies of the memorandum from the Treasury Department's representative at Shanghai and of the summary thereof made by Mr. Haas which you were so good as to forward to me.

I have noted with much interest the information contained in these memoranda and I appreciate your thoughtfulness in making copies available to me.

Sincerely yours,

Cordell Hull

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

OK

MAY 22 1935 PM

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WJ



793.94/6972

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

BC

TELEGRAM RECEIVED

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

Nanking via NR

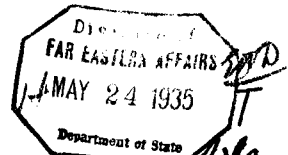
Dated May 24, 1935.

Received 11:20 AM

1-1226

FROM

Secretary of State,
Washington.



117
May 24, 10 ^{a.m.}

893.00/13098

Peiping's 211 May 23, noon and my 116 May 23, 5 p.m.

Suma of Japanese Embassy stated last evening that while

he had no detailed information there has undoubtedly been a "clash" near Tsunhua between Japanese troops from outside the Great Wall and Sun Yeng Chun's men and that latter were being driven south. He seemed to adopt attitude that this is a "local matter" of little importance, constant trouble being characteristic of the demilitarized zone, but he made a point of mentioning that the murder of the two Chinese editors in Tientsin was a "very serious" one and it is alleged that the crimes were committed by the so-called Blue Shirts, Parenthetically, this office does not believe there exists such an organization of Chiang's secret agents operating through China along the lines of popular supposition, although it is reliably reported that within the Nanking gendarmerie there is a secret "special service corps" whose members undertake political assassinations and other

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MAY 27 1935

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

Page 2 from Nanking # 118

and other duties. In any case it seems doubtful whether at this time Chiang or any responsible Chinese official would order the murder of Chinese editors on account of pronouncements favorable to a Sino-Japanese rapprochement.

FOR THE MINISTER

ATCHESON

WSB WSB

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

DOCUMENT FILE

NOTE

SEE 893.00/13091 FOR #38

FROM Hankow (Josselyn) DATED April 11, 1935.
TO NAME 1-1127 ...

REGARDING:

"Good Intention Wasted": Encloses editorial entitled -, commenting on
motion in British House of Lords for British mediation of Manchurian
dispute.

793.94/6974

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

DOCUMENT FILE

NOTE

SEE 702,9493/98 FOR # 10,005

FROM Shanghai (Cunningham) DATED Apr. 18, 1935
TO NAME 1-1127 870

REGARDING:

Anti-Japanese feeling and boycott of Japanese goods:
Japanese diplomatic and Consular Officers in China
met in Shanghai to discuss the above question and
the methods of curbing this feeling. Consensus of
reports indicated a decided turn for the better in
the relations between the two countries.

wb

793.94/6975

6975-

10,005

Shanghai, Chi a, April 18, 1936.

Meeting of Japanese Consuls
General at Shanghai.

I have the honor to refer to the meeting, April 18, 1936, of the leading Japanese diplomatic and consular officials in China met at Shanghai to confer, from all reports, on matters of policy. Those attending the meeting, which lasted for three days, were: Minister Akira Ariyoshi; Mr. Tetsuki Morinouchi, First Secretary; Mr. Hiroshi Aino, Second Secretary; Mr. Heitaro Yokstake, Commercial Counsellor; Consul General Masao Kawai from Canton; Consul General Takichiro Sasa from Hanking; Consul General Itaro Ishii from Shanghai; Consul General Yoshiaki Ueda from Hankow; Consul General Junzo Sakane from Tsingtao; Consul General Eisaku Kawagoe fromientsin; Consul General Koichi Nishida from Tsinan; Consul General Ushiko Utsui from Foochow; and Consul Tetsu Tanamoto from Amoy.

According to available sources of information, the

Greater

Greater part of the discussion was concerned with the question of anti-Japanese feeling and the methods of curbing this feeling and the accompanying boycott of Japanese goods. It is understood that the acceptance of reports submitted by the various consuls general and consuls indicated that a decided turn toward better relations between the two countries was in progress and a diminution of anti-Japanese sentiment. However, according to the CHUNG KWA (Chinese Independent) of April 9, 1935, and other English language newspapers of the same date, the spokesman of the gathering is reported to have stated that "the situation did not allow undue optimism" and although "gradual progress is being made, it will take time before anything definite takes place."

While the suppression of anti-Japanese activities and a study of the attitude and feeling of the Chinese people vis-a-vis Japan undoubtedly occupied the center of attention, it has been rumored that the Japanese civil officials, represented by the diplomatic and consular officials are assembled, sought a crystallization of their policy as opposed to or in reconciliation with that of the Japanese military officials. It has been freely reported that Major-General Doihara's wanderings in China proper have not been favorably viewed by the civilian authorities and that his allegedly "balled fist" methods have threatened the results of the cooperatively more placatory methods of the various diplomatic and consular officials. An enunciation of the policy at this

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

It is meeting could be communicated to the Japanese Foreign Office in Tokyo by Minister Miyoshi upon his forthcoming return to Japan, a personal presentation of the civilian view serving perhaps to iron out the present related friction between the civilian and military policies.

In addition to the discussion of pertinent Sino-Japanese matters, the agenda is understood to have included an exchange of general information appertaining to the various regions of China represented, as well as suggestions for the unification of the procedure followed in the Japanese diplomatic and consular services in China. In connection with this part of the agenda, it may be remarked that this is of more than nominal value and would amply compensate the sums expended in convening the meeting - the exchange of views and information leading to the unification of procedure and a clear definition of policy being of immense value to a service operating in a country with such diversified interests and problems as China has.

Respectfully yours,

Edwin A. Cunningham,
American Consul General.

800

CRS:JIM

In duplicate
Copy to Legation
Copy to American Embassy, Tokyo.



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

DOCUMENT FILE

NOTE

SEE 893.00/13097 FOR Tel. #212-2pm.

FROM China (Lockhart) DATED May 23, 1935.
/TP/ NAME 1-1127 ...

REGARDING: Assassination in Japanese concession at Tientsin
of the Chinese editors: Gives particulars of -, and
reaction among Japanese officials. It is reported
that the Japanese will call the Chinese to account
for this affair.

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793.94/6976

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

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GRAY & Spe. Gray.

Peiping

Dated May 23, 1935,

Recd. 10:30 a m

Secretary of State,
Washington.

note
893.102 Tientsin
793.94

212, May 23, 2 p m.

The assassination in the Japanese concession at Tientsin on May 3 of two Chinese editors reported to have been engaged in anti-Nanking propaganda has been strongly denounced in Japanese official and private circles. Colonel Giga and Major Takahashi are reported to have conferred on May 9 regarding the matter with high officers of the Tientsin Japanese military headquarters. On May 8 according to a report a military attache of the Japanese Legation office at Shanghai stated that "Japan could not pass over the assassinations in silence inasmuch as it has become apparent that Chinese officials were behind the murders". Giga is said to have stated on the same day at Shanhaikwan that the general belief was that murders were committed "either by members of the Blue Coat Society or by persons despatched by the Chinese authorities". He states that the Japanese had demanded an inquiry by the Chinese authorities and that "It is understood that the Japanese authorities will call the Chinese to account after

793.102/12097

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

Page 2 from Peiping No 212

after the receipt of a reply."

The Legation was reliably informed yesterday that Takahashi states evidence already obtained implicates high Chinese officials. It is now reported that the Japanese were considering demanding the resignation and withdrawal from North China of those concerned. It is understood that the matter is assuming significant proportions at this time and that important developments may ensue. A report is current today that Japanese military officers yesterday conferred in Tientsin regarding measures to be taken and it is stated that the Japanese intend to lodge a strong protest with the Chinese authorities and demand the withdrawal of the branch political council from Peiping and the Blue Coat Society and Tangpu from North China.

Repeated to Nanking. By mail to Tientsin and Tokyo.

FOR THE MINISTER

LOCKHART

WSB

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

DOCUMENT FILE

NOTE

SEE 893.00/13098 FOR Tel.#116-5pm.

FROM Nanking (Atcheson) DATED May 23, 1935
/H6/// NAME 1-1127 ***

REGARDING: Effect on relations between China and Japan
caused by the two incidents: Murder of two
Chinese editors in the Japanese concession
at Tientsin, and intramural penetration by
Japanese troops.

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793.94/6977

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

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SPECIAL GRAY

NANKING Via N.R.

Dated May 23, 1935

Rec'd 5:05 p.m.

Secretary of State,
Washington, D.C.

116, May 23, 5 p.m.

One. During the call today on Administrative Vice Minister for Foreign Affairs, Tang stated that in spite of difficulties over recent murder of eight Chinese editors in Tientsin and intramural penetration of Japanese troops reported in press May 21 and 22, conditions in North were becoming "more quiet," and he indicated that first mentioned problem was now easily settled. However, both Suma of Japanese Embassy here and Director of Department of Asiatic Affairs of the Foreign Office, say that the Japanese military and other elements regard this matter seriously and are making their dissatisfaction over it known to the Chinese.

Two. In regard to the reported Japanese troop movement toward Tsun Hwa, Tang said that the Japanese had accused the Chinese authorities of conniving with Sun Ying Chun but now realized that the accusation was unjustified. Tang's explanation was that Sun, being a leader of a group of so-called volunteers, had been driven from Jehol through the Great Wall and approached Tsun Hwa for lack of another convenient place to which to flee and that the Chinese authorities

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

-2-

From Nanking, May 23, #116.

authorities were attempting to effect removal of the group to some place outside the demilitarized zone. He added that the Tangku truce denied the right of either armed Chinese troops or Japanese troops to enter the zone but the Japanese had misinterpreted the agreement to give themselves the right, following their withdrawal under its terms, to reenter the area in case of trouble there

For the Minister

ATCHESON

CIB JS

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

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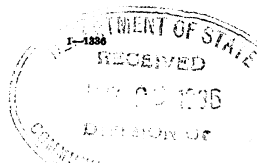
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Gray

Peiping via NR

Dated May 28, 1935.

Received 11:43 AM



FROM

Secretary of State
Washington.



793.94
note
893.00

223 May 28, 2 p.m.
Legation's 211, May 25, noon.

793.94 / 6971

Yin Ju Keng, administrative inspector for the Miyun-Chihhsien area in a press interview yesterday stated that the bandits in the Tsunhua region under Sun Yung Chin have been completely suppressed by the combined operations of Japanese troops and by the special police and that the Japanese have begun to withdraw to points along the Wall. He was unable to confirm the report that Sun Yung Chin had been killed.

It is the consensus of opinion in North China that the Japanese incursion is purely a local movement with bandit suppression as object and that it has no (repeat no) relation to the general Sino-Japanese situation or to the murders referred to in the Legation's 212, May 23, 2 p.m.

Repeated to Nanking.

FOR THE MINISTER

LOCKHART

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

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REF

SPECIAL GRAY

1-1236

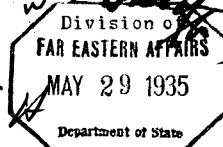
FROM

Peiping via N. R.

Dated May 28, 1935

Rec'd 3:50 p. m.

Secretary of State,
Washington.



224, May 28, 4 p. m.

One. A highly placed Chinese in Government service here is authority for the statement that Japan intends to send a high commissioner to China to meet a special commissioner appointed by China for the specific purpose of negotiating a rapprochement. It is stated that this in the nature of a concession to the military on the part of the government at Tokyo the military having protested the elevation of the Japanese Legation to an Embassy and that a high commissioner would at least temporarily eclipse the Ambassador.

Two. The same highly placed official states that the Japanese are pressing the Chinese to adopt measures to prevent assassins from entering the Japanese concession at Tientsin and that there have even been threats demanding an extension of the demilitarized zone, the abolition of the branch policy of the Council at Peiping and the abolition

793.94/6979

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

REP

2-#224, From Peiping, May 28, 4 p.m.

abolition of the Tang Pu at Tientsin unless some
punishment is meted out to those concerned with the
murders referred to in the Legation's 212, May 23, 893.00/13097
2 p. m. and/or unless some guarantee can be given
that there will be no recurrence of such affairs. It
is stated that the Japanese have communicated their
views in writing to Chairman Yu Hsueh Chung at Tientsin.

Repeated to Nanking.

FOR THE MINISTER

LOCKHART

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

DOCUMENT FILE

NOTE

SEE 701.9367/2 FOR # 628
FROM Turkey (Skinner) DATED Apr. 26, 1935
TO NAME 1-1127 ***

REGARDING: Relations between Japan and China are moving along
satisfactorily according to interview given to
CUMHURİYET by Japanese Minister at Istanbul.
Translation of interview attached.

793.94/
6980

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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. 628 Istanbul, Turkey, April 26, 1935.
Subject: The Japanese Ambassador Submits to an
 Interview.

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

Sir:

It may interest the Department to know that my Japanese colleague, Mr. Jyemasa Tokugawa, has manifested a good deal of interest to me in the forthcoming arrival of a Chinese Minister. China has not hitherto been represented at Ankara, and Mr. Tokugawa has not been able to discover any very definite reasons why China should seek to be represented now, and I am inclined to think that he is not over pleased about it. Incidentally it may be remarked that he is making an excellent impression in Turkey, and furthermore

-2-

has very complete command of the English language,
which is unusual among his colleagues.

In the COMMUNITIES of today Mr. Tokugawa has an
interview, of which the following is a translation:

"Our relations with China are moving along
satisfactorily. The results thus far obtained
are also satisfactory. We are quite able our-
selves to regulate the differences which divide
us. We desire, and so does China, that ques-
tions concerning the two countries shall be
settled between us. China has no need, on this
ground, to get on bad terms with the other coun-
tries. On the contrary, we hope that she will
maintain good relations with us. In the Far
East it is impossible for us to defend peace
by ourselves alone. To do so we must be in ac-
cord with China, something which is not in con-
tradiction with the nine-power treaty.

Is peace threatened in the Far East? Does
the increase in the population of Japan con-
stitute a domestic question?

No one should think for a moment of the
eventuality of a war in the Far East. Certain-
ly the increase in the population preoccupies
us somewhat, but the Japanese economists are of
the opinion that this increase does not tend to
develop rapidly. It should not be difficult to
settle a question of this kind exclusively as
a domestic problem. I do not think that this
problem can be settled by belligerent means;
otherwise stated, I do not believe that there
will be a war resulting from the question of
population. So much has been said of war be-
tween Japan and the United States, or between
Japan and the U.S.S.R. that I may state that
the proportion of observations with regard to
war exceeds by a great deal those of the pro-
babilities of any such contingency."

Respectfully yours,

Robert F. Skinner.

RFS:lr

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

DEPARTMENT OF STATE

DIVISION OF WESTERN EUROPEAN AFFAIRS

THE UNDER SECRETARY
MAY 27 1935
DEPARTMENT OF STATE

MEMORANDUM

May 14, 1935.

Treaty Bases for American Intervention
in Sino-Japanese Dispute.

1. On September 21, 1931, the Chinese Government addressed a note to the League describing the facts of the Mukden incident and appealing to the League on the basis of Article 11 of the Covenant without reference to the Kellogg Pact.

2. In a note of the same date to the American Government, the Chinese Government, on the other hand, based itself entirely on the Kellogg Pact, as follows:

"As the United States, China, and Japan are all signatory powers of the Kellogg pact, and as the United States is the sponsor of the sacred engagements contained in this treaty, the American Government must be deeply interested in this case of unprovoked and unwarranted attack and subsequent occupation of Chinese cities by Japanese troops, which constitutes a deliberate violation of the pact."

3. Neither the Council's resolution nor the League's identical telegrams of September 22 to Japan and China make any reference to the Kellogg Pact but are based on Article 11 of the Covenant.

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4. A memorandum handed to the Japanese Ambassador by the Secretary of State on September 22 contained the following:

"The League of Nations has given evidence of its concern. The Chinese Government has in various ways invoked action on the part of foreign governments, citing its reliance upon treaty obligations and inviting special reference to the Kellogg pact.

"This situation is of concern, morally, legally, and politically to a considerable number of nations. It is not exclusively a matter of concern to Japan and China. It brings into question at once the meaning of certain provisions of agreements, such as the nine powers treaty of February 6, 1922, and the Kellogg-Briand pact."

5. In a note of September 23 to the League Council, acknowledging the receipt of the text of its resolution, the Secretary of State declared that the United States would despatch notes along similar lines, but made no reference to the Kellogg Pact.

6. Following is the text of the identic notes sent to Japan and China by the Secretary of State on September 24, 1931:

"The Government and people of the United States have observed with regret and with great concern events of the past few days in Manchuria. In view of the sincere desire of the people of this country that principles and methods of peace shall prevail in international relations, and of the existence of treaties, to several of which the United States is a party, the provisions of which are intended to regulate the adjustment of controversies between nations without resort to use of force, the

American

-3-

American Government feels warranted in expressing to the Chinese and the Japanese Governments its hope that they will cause their military forces to refrain from any further hostilities, will so dispose respectively of their armed forces as to satisfy the requirements of international law and international agreements, and will refrain from activities which may prejudice the attainment by amicable methods of an adjustment of their differences."

7. A memorandum of the American Government of October 5 to the Council contains the following reference to treaty obligations:

"On its part the American Government acting independently through its diplomatic representatives will endeavor to reinforce what the league does and will make clear that it has a keen interest in the matter and is not oblivious to the obligations which the disputants have assumed to their fellow signatories in the pact of Paris as well as in the nine-power pact should a time arise when it would seem advisable to bring forward those obligations."

8. The following instructions were sent to the American Consul at Geneva on October 16:

"You are authorized to participate in the discussions of the council when they relate to the possible application of the Kellogg-Briand pact, to which treaty the United States is a party. You are expected to report the result of such discussions to the department for its determination as to possible action. If you are present at the discussion of any other aspect of the Chinese-Japanese dispute, it must be only as an observer and auditor."

Mr. Gilbert's note of acceptance was along similar lines.

9. On October 20, along with other parties to the Kellogg Pact, the American Government addressed identical notes

-4-

notes to Japan and China, calling attention to their obligations under the Kellogg Pact. There is no reference in these notes to other treaty obligations.

10. In a memorandum to the Japanese Government of November 5, the United States declared, without ^{specific} reference to the Kellogg Pact, that:

"The withdrawal of the troops *** would also constitute an impressive demonstration to the world of Japan's often repeated assertion that it has no territorial ambitions in Manchuria and that it intends strictly to abide by the treaties guaranteeing the administrative integrity of China and providing for the settlement of all controversies solely by pacific means."

11. In its instructions to Ambassador Dawes of November 10, 1931, the Department stated that:

***"since the development in Manchuria and the discussions which will take place in Paris presumably will involve matters affecting the treaty rights and general interests of the United States, it is considered desirable that you be available for conference on matters bearing thereon."

12. The statement of the Secretary of State of December 10, 1931, expressing approval of the Council's resolution for setting up a neutral commission contains the following:

"Not only are the American people interested in the same objective sought by the league of preventing a disastrous war and securing a peaceful solution of the Manchurian controversy, but as a fellow signatory with Japan and China in the Kellogg-Briand pact and in the so-called 9-power treaty of February 6, 1922, this Government has a direct interest in and obligation under the undertakings of those treaties.

* * *

-5-

* * *

"The ultimate solution of the Manchurian problem must be worked out by some process of agreement between China and Japan themselves. This country is concerned that the methods employed in this settlement shall, in harmony with the obligations of the treaties to which we are parties, be made in a way which shall not endanger the peace of the world and that the result shall not be the result of military pressure."

* * *

"On the other hand the adoption of this resolution in no way constitutes an indorsement of any action hitherto taken in Manchuria. This Government, as one of the signatories of the Kellogg-Briand pact and the nine-power treaty, can not disguise its concern over the events which have there transpired. * * * The American Government will continue to follow with solicitous interest all developments in this situation in the light of the obligations involved in the treaties to which this country is a party."

13. Finally, the American Government's non-recognition doctrine was announced in identic notes to Japan and China on January 7, 1932, in the following words:

"But in view of the present situation and of its own rights and obligations therein, the American Government deems it to be its duty to notify both the Government of the Chinese Republic and the Imperial Japanese Government that it can not admit the legality of any situation de facto nor does it intend to recognize any treaty or agreement entered into between those governments, or agents thereof, which may impair the treaty rights of the United States or its citizens in China, including those which relate to the sovereignty, the independence, or the territorial and administrative integrity of the Republic of China, or to the international policy relative to China, commonly known as the open-door policy; and that it does not intend to recognize any situation, treaty, or agreement which may be brought about by means contrary to the covenants and obligations of the part of Paris of August 27, 1928, to which treaty both China and Japan, as well as the United States, are parties."

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

193.94

DOCUMENT FILE

NOTE

SEE 893.00/13099 FOR Tel #124, 10am.

FROM Nanking (Atcheson) DATED May 27, 1935.
TO NAME 1-1127 ...

REGARDING: Assassination of two Chinese editors in Japanese concession
at Tientsin, reportedly by Peiping gendarmerie;

Dissatisfaction of the Japanese military with affair constitutes far graver problem than Japanese activities in demilitarized zone. Indications of the possibility that Japanese troops will occupy north China under circumstances which, in Japanese minds, would make such occupation seem "necessary".

FRG.

793.94/6982

6982

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

FE

REP

SPECIAL GRAY

Nanking via N. R.

Dated May 27, 1935

Rec'd 2:40 p. m.

Secretary of State,
Washington.

124, May 27, 10 a. m.

My 117, May 24, 10 a. m.

NOTE
793.94

One. A Councilor of Government Ministry who has intimate knowledge of North China affairs states in confidence that the Peiping gendarmerie are responsible for the murder of the two Chinese editors in Tientsin, that the Japanese have demanded of Hopei Provincial Chairman that the assassins who are three in number be handed over to Japanese concession, that General Yu Hsueh Chung, however, has no authority over the gendarmerie who are really under Chiang Kai Shek's control although Chiang would not have permitted the murders if he had known of the assassins' plans, and that dissatisfaction of the Japanese military with the affair constitutes a far graver problem than the activities of Japanese troops in the demilitarized zone.

893.02
13099

Two.

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

REP

2-#124, From Nanking, May 27, 10 a.m.

Two. According to some it is estimated the trouble in the demilitarized zone is not expected by the Japanese Government to affect adversely its program for rapprochement with China. A typically Japanese attitude is reflected in his further statement that the incident would not have occurred if the Chinese had not "irritated" the Japanese and that the refusal of the Kwantung army to permit sufficient and adequately armed Chinese police or troops in the zone to maintain order is because their presence would be a menace to the small Japanese garrisons along the Great Wall. Other remarks indicate (?) (?) (?) in the existence of a continuing possibility that Japanese troops will occupy north China under circumstances which in Japanese minds would make such occupation seem "necessary".

FOR THE MINISTER

ATCHESON

CSB

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

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GRAY AND SPECIAL GRAY

PEIPING

Dated May 30, 1935

Received 1 p.m.

Secretary of State,

Washington, D. C.

227, May 30, 2 p.m.

Reference second paragraph of Legation's 224, May 28, 4 p.m., the following statement was issued early last night through Rengo by the Japanese Military Attache's office in Peiping.

"Four o'clock this afternoon Colonel Saki, Chief of Staff of the Japanese army in North China, accompanied by Major Takahashi, Military Attache to the Japanese Embassy at Peiping, called on General Ho Ying Chin, Chairman of the Peiping branch of the Military Council, and gave him a strong warning to the following effect in connection with the unsatisfactory conditions in North China.

Conspiracies carried into effect repeatedly in Manchukuo by persons directed by the Chinese authorities; assistance given by them to the Chinese volunteer forces near the Great Wall; and anti-Japanese terrorist activity at Tientsin are interests of destruction of the Tangku armistice agreement and the reflection of Chiang Kai Sheik's anti-Japanese policy. What makes the situation very serious is the fact that these movements are set in motion

793.94/6983

FILED
JUN 1 - 1935

F/G

- 2 - #227, May 30, 2 p.m. from Peiping.

motion with Tientsin and Peiping as the basis of operations by the mischief makers. Should this state of affairs be allowed to keep up the Japanese army would be confronted with the necessity of again advancing beyond the Great Wall, and further of the necessity of including Tientsin and Peiping in the demilitarized zone.

The murder of the two Chinese editors Hu and Pai in the Japanese concession is moreover an act of trampling down upon the Boxer Protocol, an out and out anti-foreign action as well as a challenge to the Japanese army. Should such action be allowed to be kept up untrammelled the Japanese army would be forced to resort to self defense action based on the right reserved by the armistice treaty, Chinese being held responsible for all its consequences."

It is significant that today's PEIPING AND TIENSIN TIMES states that proposed ^{removal of provincial} government will be advanced from July ~~24~~ to June 3. It is stated that some officials are proceeding there today.

The same newspaper reports that group of Japanese soldiers fully armed and travelling in motor trucks visited the native City of Tientsin yesterday and made a halt before Hopch Provincial Government building and photographed the entrance to the building.

There are increasing signs that the Japanese are utilizing Tientsin murders as a means of forcing resignation

DECLASSIFIED: E.O. 11652, 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 - #227, From Peiping, May 30, 2 p.m.

tion of Yu Hsueh Chung or at least hastening the removal of the Provincial Government to Paoing. There is a strong probability that the pressure involves removal of other officials from the political scene in the same Peiping area.

Repeated to Nanking; to Tientsin and Tokyo by mail.

For the Minister

LOCKHART

HPD

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

May 31, 1935.



S:
Mr. Secretary:

Peiping's telegrams Nos. 227, May 30, 2 p.m., and 228, May 30, 8 p.m., in regard to Sino-Japanese relations in north China.

It would appear from the attached telegrams that the situation in north China is developing in a more serious way than was anticipated in previous telegrams from the Legation. The attached telegrams indicate that the Japanese military have given the Chairman of the Peiping branch of the Military Council a severe warning in regard to the unsatisfactory conditions obtaining in north China, particular emphasis apparently having been laid on the murder of two Chinese editors in Tientsin. This warning indicates that unless the Chinese capitulate the Japanese will again move forces into the demilitarized zone and probably include Peiping and Tientsin therein.

Yu Hsueh-chung, Chairman of Hopei province, whose seat of government was to have been removed some time ago from Tientsin to Paotingfu has ~~also~~ been a thorn in the flesh of the Japanese. It is possible that his elimination or the removal of his office to Paotingfu may,

together

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

- 2 -

together with some other concessions, ameliorate the situation. It would seem that this step on the part of the Japanese represents another link in the chain of events by which the Japanese aim to extend their influence in China.

Pending further developments and a clarification of the situation, it is believed that the Department should adopt a policy of watchful waiting.

m. m. h.

MSM/VDM
MSM/VDM

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

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

TELEGRAM RECEIVED

MED

1-1236

SPECIAL GRAY

PEIPING VIA N.R.

Dated May 30, 1935

Received 1:30 p.m.

Secretary of State,

Washington, D. C.

228, May 30, 8 p.m.

Legation's 227, May 30, 2 p.m. From an authoritative

source it was learned this afternoon that the Japanese representations were in the nature of a severe warning or a threat and that Ho Ying Chin requested that the Japanese observations be reduced to writing so that they might be referred to Nanking; this has now been done by means of an aide memoire. Chinese official circles are greatly disturbed. There is the possibility that Huang Fu may return to Peiping in which event Yu Hsueh Chung's position will become even less tenable than at present. There is reason to believe that the solution of the difficulty will rest largely on the course taken by Yu Hsueh Chung and that if satisfactory assurances of an amelioration of the situation are not forthcoming demarche will be made or other drastic steps taken.

Repeated Nanking; by mail to Tientsin and Tokyo.

For the Minister

LOCKHART

HPD

793.94/6984

FILED
JUN 1 - 1935

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

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- PREPARING OFFICE
WILL INDICATE WHETHER

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Charge Department
OR

Charge to
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TELEGRAM SENT

Department of State

1935 MAY 31 PM 1 13

Washington, May 31, 1935.

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTAIR
PLAIN

Naval Radio

Special Grey.

AMLEGATION,

PEIPING (China).

146 Your 227, May 30, 2 p. m., and 228, May 30, 8 p. m.

One. Department has found these telegrams helpful and desires that the Legation continue to follow developments in the situation with particular care, reporting promptly by telegraph.

Two. Department desires that the Legation repeat to Tokyo by telegraph the text of the Legation's telegrams under reference, omitting the text of the statement issued by the Japanese Military Attache's office contained in your 227, May 30, 2 p. m.

793.94/6984

793.94/6984

FE:MMH:REK

FE

MAY 31, 1935

Enciphered by

Sent by operator M., 19

D. C. R.—No. 50.

1-158 U. S. GOVERNMENT PRINTING OFFICE: 1934

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

TELEGRAM RECEIVED

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

FE

RB

FROM

GRAY

Tientsin via N. R.

Dated May 31, 1935

Rec'd 6:50 a. m.

Secretary of State

Washington.

URGENT.

May 31, noon.



The Japanese garrison at Tientsin have been unusually active for the past three days; sending soldiers to the various Chinese Government offices to make photographs and to be generally obnoxious. One company of Japanese soldiers, fully equipped accompanied by armored car, light artillery and machine gun units spent yesterday deployed along the street outside the office of the provincial chairman. It is obvious that the Japanese military are being deliberately provocative but the Chinese have thus far avoided giving cause for overt action. Numbers of Chinese are leaving the Chinese city for the British concession today. Repeated to Peiping and Nanking.

BERGER

RR

CSB

793.94/6985

JUN 3 - 1935

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

BC

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

TELEGRAM RECEIVED

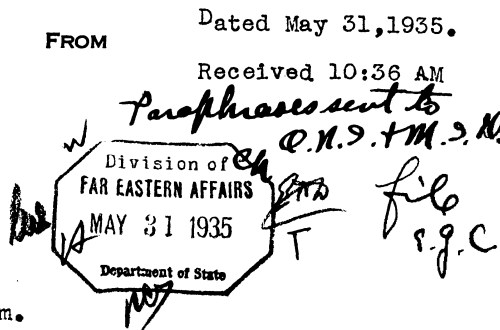
Tokio

Dated May 31, 1935.

Received 10:36 AM

FROM

Secretary of State,
Washington.



115

May 31, 7 p.m.

One. Press reports substantiated by the War Office indicate that certain military demands, the details of which are not stated, have been made on the Chinese Government by the Japanese military authorities in Peiping and perhaps Nanking as well. The Japanese state that they have evidence that the Nationalist Government has instigated violations of the Tangku truce and disturbances in Manchuria. The demands are said to include the dismissal of General Yu Hsueh-Chung, Chairman of the Hopei Provincial Government, the withdrawal of his and other Nationalist troops from the Tientsin-Peiping area, and the suppression of anti-Japanese activities, including the incitement of disturbances in Manchukuo. The Japanese army is believed to envisage the inclusion of Tientsin and Peiping in an enlarged demilitarized zone.

Two. The Kwantung army will be reenforced during the summer by a division and a cavalry brigade to be stationed

793.94/6986

JUN 4 - 1935

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

Page 2 from Tokio No 114

stationed in the vicinity of Mukden but the scattered Japanese brigade in Jehol has not been increased. The Japanese army apparently believes that the Chinese will accede in a satisfactory measure to the Japanese demands without the use of force. Presumably the Japanese army is determined as a minimum to eliminate from the vicinity of Manchuria all supporters of the Young Marshal.

Three. My British colleague, on the basis of his sources of information, is inclined to regard this situation as ominous, having in mind the suspicious and recently openly hostile attitude of certain sections of the Japanese army toward the efforts of the Foreign Office to bring about a "reconciliation" with China, and his impression that these military elements are becoming increasingly restive at government control. The Embassy including the Military Attache, does not (repeat not) at present find good grounds for apprehension of grave or critical developments.

Repeated to Peiping.

GREW

RR CSB

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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. 114) of May 31, 1936, from the American Ambassador at Tokyo, reads substantially as follows:

According to press reports which have been substantiated by the Japanese War Office, the Japanese military authorities in Peiping and perhaps also in Hanking have made certain military demands on the Chinese Government, the details of which have not been stated. The Japanese declare that they have evidence indicating that the Chinese National Government has instigated disturbances in Manchuria and violations of the Tangku truce. It is said that the demands include the dismissal of the Chairman of the Hopei Provincial Government (General Yu Hsueh-chung), the withdrawal of his and other Nationalist troops from the Peiping-Tientsin area, and the suppression of activities against the Japanese, including the incitement of disturbances in Manchuria. The inclusion of Peiping and Tientsin in an enlarged demilitarized zone is believed to be envisaged by the Japanese army.

During the summer the Kwantung army will be reenforced by a cavalry brigade and a division to be stationed near Mukden but there has been no increase in the scattered Japanese brigade in Jehol. Presumably the Japanese army is determined, as a minimum, to eliminate all supporters of the young Marshal from the vicinity of Manchuria and apparently believes that the Chinese will accede to the Japanese demands in a satisfactory measure without the use of force.

It

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

TELEGRAM RECEIVED

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

REP

1-1226
RECEIVED
FROM

GRAY

Nanking via N. R.

Dated May 31, 1935

Rec'd 1:15 p. m.

793.94
note
893.22
Secretary of State,
Washington.

Division of
FAR EASTERN AFFAIRS
MAY 31 1935

133, May 31, 5 p. m.

I hear from an official source that the Japanese demonstration yesterday before the Provincial Government headquarters in Tientsin was accompanied by "advice" that the Provincial Government move to Paotingfu without delay, that similar warning has been given Ho Ying Chin in respect to the Peiping Military Affairs Council, and that both Yu Hsueh Chung and Ho are taking steps to comply.

FOR THE MINISTER
ATCHESON

WWC

793.94/6987

FILED
JUN 4 - 1935

F.

TELEGRAM RECEIVED

REP

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

GRAY & SPECIAL GRAY

FROM

Peiping via N. R.

Dated May 31, 1935

Rec'd 3:58 p. m.

*Copy sent to Moscow file
June 25*

Secretary of State,
Washington.

230, May 31, 4 p. m.

Legation's 227, May 30, 2 p. m. and 228, May 30,

8 p. m.

Division of
FAR EASTERN AFFAIRS
JUN 1 - 1935
Department of State
6983

One. A detachment of about 100 armed Japanese soldiers again "visited" the provisional government headquarters at Tientsin yesterday and remained there about half an hour but did not enter the building. Same detachment "visited" Public Safety Bureau at Tientsin and another detachment proceeded to a point outside Japanese concession, said to have been near *Peiyang University* and fired several rounds from trench mortars. These activities are unquestionably a part of Japanese plan either to force resignation of Yu Hsueh Chung or speed removal of provisional headquarters to Paoingfu. It is understood removal headquarters now proceeding,

Two. General Umetzu commandant of troops in North China with headquarters at Tientsin is now in

Hsinking

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FILED
JUN 4 - 1935

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

REP

2-#230, From Peiping, May 31, 4 p. m.

Hsinking conferring with Japanese Minister of War Hayashi and with General Minami. Colonel Sakai only recently returned to Tientsin from a staff conference at Tokyo.

From an authoritative source it is learned that a Japanese army officer of the rank of Colonel arrived two or three days ago by plane at headquarters of Tehwang General Secretary of Mongolian Autonomous Government, and demanded that health officer be removed from Pailingmiao (#) Peihsingmiao, a point north of Dolonor and near Chahar-Jehol border. It is further stated Japanese officer demanded that Tehwang install radio station at his headquarters and that he (?) (?) special mission (possibly means adviser) at his headquarters. Tehwang regarded matter of such urgency that he left for Peiping and arrived here today for conference with Ho Ying Chin.

Four. Government circles continue to be greatly perturbed by the developments of the past few days, the full import of which is not yet clear but a part of which is unmistakably a desire to remove Yu Hsueh Chung as previously reported.

Repeated to Nanking by mail, to Tokyo and Tientsin.

FOR THE MINISTER

LOCKHART

CSB
(#) Omission

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

Paraphrase
**COPIES SENT TO
O.N.I. AND M.I.D.**
TELEGRAM RECEIVED *E.G.C.*

MG

1-1338

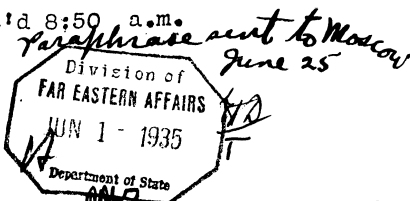
This telegram must be closely paraphrased before being communicated to anyone. (C)

FROM

Tokyo

Dated June 1, 1935.

Rec'd 8:50 a.m.



Secretary of State,
Washington.

117 June 1, 6 p.m.

Embassy's 115 May 31, 7 p.m. / 6986

In attempting to analyze the North China situation from this end with the meager information available two points present themselves to the Embassy as significant.

One. In whatever way the present dispute ends the result will mean more definite political control of the Peiping-Tientsin area by the Japanese military. Chinese accession to the reported Japanese demands will ipso facto concede this control; if the Chinese refuse to accede, the Japanese military if they carry out their threats will take actual control of the area.

Two. The Japanese military apparently intend to take charge of Japanese diplomacy on the Asiatic mainland. So far as this Embassy is aware the Foreign Office was not consulted in regard to the recent demarche and none of the approaches to the Chinese in connection with the Japanese demands were made through

the

793.94/6989

JUN 4 - 1935

FILED

F/FG

-2- #117 from Tokyo

7. the Japanese diplomatic mission in China. There is good reason to believe that certain sections of the army were distinctly irritated at the action of the Foreign Office in raising the Legation to the status of an Embassy at this moment and it is also evident that the Hirota policy of conciliation with China is believed by them to be unsound in view of the alleged continued anti-Japanese activities in China. In this connection the schism between the civil and military elements in the government may become progressively more marked.

Repeated to Peiping.

GREW

WWC

WSB

DECLASSIFIED: E.O. 11652, 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. 117) of June 1, 1935, from the American Ambassador at Tokyo, reads substantially as follows:

The Embassy has as yet little information in regard to events in North China. However, there are two factors which appear to be of significance. The first is that regardless of the outcome of the affair, the Japanese army will undoubtedly gain more definite control of the Peiping-Tientsin area. If the Chinese agree to meet the demands of the Japanese they will by this action concede this control, whereas Chinese refusal of the Japanese demands will result in actual control by the Japanese, if they carry out their threats. The second factor is that indications point to the determination of the Japanese army to take charge of Japanese diplomacy on the Continent of Asia. It appears that the Foreign Office had no part in the actions recently taken, nor were the demands presented to the Chinese through diplomatic channels. It appears likely that some military circles were incensed by the decision of the Foreign Office to raise the status of the diplomatic representative at this time. The military obviously place no faith in Mr. Hirota's conciliatory policy toward China, because of the continuance in China of anti-Japanese activities. It is likely that the split between military and civil elements in the government will widen as a result of recent events.

793.94/6989

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m. m. N

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

June 13, 1935.

A-C/C:

FE is of the opinion that Nanking's despatch No. L-695 Diplomatic of April 30, 1935, addressed to the Legation, entitled "Notes on the Present Sino-Japanese Situation" should be graded EXCELLENT.

This despatch, prepared by Mr. Atcheson, is timely, shows careful and thoughtful analysis of the complicated political situation under discussion and is written in a clear, concise style.

MHW

ew
EW/VDM

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS
June 11, 1935.

~~LSM:~~

~~RCM:~~

~~MMH:~~

Peiping's despatch No. 3551 of May 7, 1935, in regard to the Sino-Japanese situation, encloses a copy of a very interesting despatch from Nanking in which Second Secretary Acheson outlines his opinions with regard to the motives underlying the present policies with respect to each other of China and Japan.

Although the information contained in Second Secretary Acheson's despatch to the Legation is briefly but adequately summarized in Nanking's telegram No. 83, April 25, noon, I believe that if time permits the despatch should be read in its entirety.

Peiping's despatch No. 3552 of May 7, 1935, commends Second Secretary Acheson on his above-mentioned despatch.

I have graded Acheson's despatch excellent and attach hereto a memo to A-4c on the subject.

EW
EW/VDM

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



LEGATION OF THE
UNITED STATES OF AMERICA

No. 3551

Peiping, May 7, 1935.

Subject: The Sino-Japanese Situation.

CONFIDENTIAL

793-94
123 at 2

W. C. C. F. E.
Division of
FAR EASTERN AFFAIRS
JUN 3 - 1935
Department of State
Ex
Atcheson

DEPARTMENT OF STATE
A-C/C
JUN 2 1935
ASSISTANT SECRETARY
OF STATE

JUN - 1 1935

The Honorable

The Secretary of State,
Washington, D. C.

*pgd just
re "Excellent"
despatch to Am.
Dept. to Am.
Washington
in a-c/c
6/21/35
Y.H.K. - V. L. S.*

June 26 1935

793.94/6990

Sir:

I have the honor to refer to telegram No. 83 of
April 25, 12 noon, from the Nanking Office of the
Legation to the Department regarding the present
Sino-Japanese situation, and to enclose a copy of
that office's despatch No. L-695 Diplomatic of April
30, 1935, addressed to the Legation, on the same
general subject.

The despatch, in the opinion of the Legation,
constitutes a very interesting and illuminating
contribution to the current study of the relationships
between China and Japan. The Legation is commending

Mr. Atcheson

FILED

JUN 26 1935

F/G


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

- 2 -

Mr. Atcheson for having written this penetrating commentary, which gives such a well-coordinated explanation of the motives underlying the present policies of the two countries vis-a-vis each other.

Respectfully yours,

For the Minister:


F. P. Lockhart,
Counselor of Legation.

Enclosure:

- 1/ Copy of despatch No. L-695
Diplomatic, April 30, 1935,
from Nanking to the Legation.

710

EC/rd

Original and 4 copies to the Department.
1 copy to Nanking.

4 Carbon Copies JM
Received

L-695 Diplomatic

13551

Nanking Office, April 30, 1935.

CONFIDENTIAL

Subject: Notes on the present Sino-
Japanese Situation.

The Honorable

Nelson Trusler Johnson,

American Minister,

Peking.

Sir:

I have the honor to refer to my confidential telegram of April 25, 12 noon (No. 83 to the Department), reporting remarks made to me by the vice-head of a National Government Ministry in regard to the present Sino-Japanese situation.

1. Certain of the informant's remarks seem to approach the truth:

That in their démarche which began in January 1935 the Japanese have so far made no presentation of formal demands but have "mentioned" their desires in respect to present and future relations between China and Japan;

That following the suppression of the anti-Japanese boycott, the Chinese Government has been taking no concrete action toward meeting those desires and is resting on the belief that the Japanese will not make any concerted move toward

pressing

-2-

1 pressing forward their program for Sino-Japanese co-operation until some time during the coming summer after the communist-bandit situation in Szechwan and Kweichow (and Yunnan) is liquidated and General Chiang Kai-shek takes summer residence at Iuling; and

That something more officially articulate by the Japanese than the mere mentioning of desires is to be expected with certainty before the summer shall have passed.

The statements of this Vice Minister have acted in my mind to confirm a conviction that the Japanese protagonists in the present drama have not formally presented any list of formal demands and that the nearest approach to a demand, as the term is generally understood, have been oral representations, doubtless strongly emphasized and perhaps repeated, looking to an improvement in Sino-Japanese relations and suppression of the anti-Japanese boycott. In my opinion, the suggestions and proposals which Japanese officials have made to Chinese officials in conversation have for the most part been much milder in tone than the descriptions of Japanese requirements which the Japanese Foreign Office has used the foreign and other news correspondents in Tokyo to make clearly known to China and the world. A review of the conversations which this office has had with Chinese officials and others tends to support this conviction. I refer particularly to the statements made in

confidence

-3-

confidence by subordinate officials. Speaking as personal friends and knowing that they would remain anonymous, their statements in general point with fair clearness toward the truth.

It has been apparent that the conduct of the Japanese-Chinese conversations concerning a rapprochement have since January been chiefly in the hands of representatives of the Japanese Foreign Office and this is undoubtedly a strong indication, in the light of the known phases of the conflict in respect to China policy which goes on between the Foreign Office and the Japanese military, that the Japanese diplomatic agents have employed a less abrupt and more indirect approach than would have been the case if the military party in Japan had not decided, as seems true, to give the Foreign Office a chance to show what it could accomplish.

2. The Japanese have of late shown a striking lack of vigor in pushing their program with the Chinese. This lowering of the pressure is providing the Chinese an excuse to procrastinate in meeting their wishes and is, one may believe, predicated upon a policy of temporary patience, following the initial and somewhat bombastic stage of the démarche. The Japanese are giving the Chinese an opportunity to pave the way among themselves to bring about the kind of rapprochement which the Japanese have conceived. In other words, the Japanese are marking time.

The present

-4-

The present lull in important conversations between Japanese and Chinese officials has perhaps been a logical sequel to the bee-hive activity at the end of January and through February, of Mr. Y. Suma, First Secretary of the Japanese Legation and Consul General in Nanking, in describing Japanese hopes for Sino-Japanese cooperation to General Chiang Kai-shek, Dr. Wang Ching-wei, Dr. Sun Fo, General Huang Ku, and other Government leaders, great and small. One takes the example of Mr. Suma because, except for some conversations elsewhere concerning pending North China affairs, Nanking is the nerve center of developments affecting the National Government and has now, it is believed, become the center of Japanese political activities in accordance with Japanese pronouncements that Japan would concentrate diplomatic activities in the capital rather than continue to attempt "local settlements" in other places. To venture an explanation of Mr. Suma's descriptive contribution to the journalistic jargon of Far Eastern diplomacy, the former "water fowl policy" of the Japanese, characterized by a smooth surface with busy paddling underneath and propulsion hither and yon, has been changed to a "woodpecker policy" under which the woodpecker sits in one place and pecks away until he has accomplished his purpose.

3. The Minister of the informant, who was quoted in the telegram under reference, some days previously in conversation described the present Sino-Japanese situation as a "deadlock" but this can scarcely be accepted as accurate. The term deadlock smacks too much of face-saving; it implies something of an equality in strength

between

-5-

between China and Japan in the discussions initiated and prolonged by the Japanese; and the Chinese are not, of course, in the fortunate position of an equal in the contest. This fact goes a long way to explain the general pessimism which throughout the past three months has characterized the outlook of Chinese officials upon the future of China in respect to relations with Japan. They realize the helplessness of their Government in its present predicament. They know that it can do little but delay, and then not for too long, in meeting Japanese desires. They reasonably fear that if the Japanese are pacified too readily or too successfully, the incumbent Government cannot survive the wrath of its internal enemies. The dilemma is indirectly expressed in the Government's attempt to explain its policy or lack of policy to the Chinese people by reversing, with characteristic sophistry, one of the specious political slogans the Chinese delight in: the former political philosophy was an nei jan wai (安内攘外) (roughly, pacify the internal enemies - the Southwest, et cetera - and repel the external, meaning the Japanese) and this has now been changed to jan nei an wai 攘内安外 (conciliate the external enemy and suppress the internal, meaning the Communists). Neither of these formulas is satisfactory; the Government itself knows that it cannot hope to endure unless it defeats both the external and internal enemies or unless it conciliates both; and it knows that the accomplishment of either double task is an impossibility.

4. Out of the situation brought about by the Japanese démarche, there are beginning to appear manifestations of a profound change in the Chinese official mind.

It is

-6-

It is acquiring something of what the Japanese, using the phrase in a different sense, have often spoken of with respect to their pre-1931 difficulties in Manchuria as a sense of the realities. There have been many times in China's history when the Chinese have realized that they must give in to superior force and have, in their own fashion, capitulated before superior force as a temporary device adopted of necessity but with hope that in the end the enemy would be circumvented or overcome. There are few Chinese officials at present who see any prospect of China ever equalling Japan in effective military strength, of successfully competing with Japanese goods, of winning effective support from the League of Nations or other countries against the Japanese. It is safe to say that there are now not any who can simulate to themselves any hope of satisfying the Japanese by much less than actualities. For the first time, perhaps, Chinese officialdom has generally become perspicacious enough to know that equivocation is useless. The rapidity and apparent success with which the Chinese Government suppressed the anti-Japanese boycott, so long officially described as an uncontrollable manifestation of spontaneous popular feeling, is significantly indicative. The Japanese Minister, during a call on April 15 on the Chinese Minister for Foreign Affairs prior to departing for Japan, complimented the Chinese Government upon its success. The Chinese Government in this has done the concrete thing and has not, as has so often been the case in the past, depended upon the semblance instead of the reality. The Chinese have come to a pitiful pass and they are not able to deny the truth to themselves. Turning from practical

politics

-7-

politics to the more spiritual phases of the profound change that has been worked in the Chinese mind, there is no more poignant example than the complaints recently appearing in the vernacular press against the Japanese air of superiority. The Chinese press "demands" that the Japanese treat as equals a people who have traditionally indulged themselves in a sense of superiority over foreigners of every nationality.

Being without hope, the Chinese appear nevertheless to be making an attempt to soften as much as possible the blows they expect. While delaying further action in meeting Japanese wishes, they look to be manoeuvring for a position which might enable them to make a show of bargaining with some semblance of equality in the contest that is looming before them. Whether with false hopes or not in this particular connection, they seem to be making a strong play for Japanese good will. This has been indicated in various ways - in the pronouncements of Dr. Wang Ching-wei and General Chiang Kai-shek and generally in the cordiality which Government officials here exhibit toward Japanese officials. The cordiality of Chinese officials was very noticeable at Mr. Suma's reception on March 21 for the Tokyo ASAHI "goodwill" fliers which was attended by a large number of them, including the Ranking Garrison Commander and a large staff of officers. The one remarkable exception was the then Mayor of Hanking, Mr. Shih Ying, who refused to participate in or hold any functions for the fliers, although instructed to do so, and shortly thereafter his resignation was accepted. While opinions differ as to whether his recalcitrance on this occasion was the

determining

-8-

determining cause of losing his office (he has lacked important political backing and was replaced by a henchman of Dr. Sun Fo), Mr. Suna informed me after the appointment of a new Mayor that the Japanese were very displeased over his lack of official courtesy to the fliers and had had various previous difficulties with Mr. Shih. He added that he had nevertheless not "requested" Mr. Shih's retirement but his manner of making this statement carried broad intimations, (and incidentally manifested the feeling of power enjoyed by the Japanese in respect to their present position in this country).

A startling evidence of the desire to placate the Japanese was the remark made to the American Minister by Mr. Tang Yu-jen, Administrative Vice Minister for Foreign Affairs, on February 23, 1935, that the Chinese and Japanese Governments were in tacit agreement that the question of Manchuria should not be discussed now because any settlement of it was impossible (vide Nanking office's despatch to Peiping Number L-632 Diplomatic, February 28, 1935). That the Chinese Government, in the face of the press, Party and Southwest storms about the "lost provinces", should admit the insolubility of the Manchurian question and be willing to ignore it in discussions with the Japanese concerning Sino-Japanese relations, tells its own story.

Along the same line was a Foreign Office denial, published by the Central News Agency at Nanking on April 9, of the United Press account of an interview which Mr. John H. Morris, United Press correspondent, had with Dr. Wang Ching-wei on April 1 at Nanking. According to Mr. Morris,

"While

-9-

"While he (Dr. Wang) declared no Sino-Japanese rapprochement had been reached and added such a rapprochement in the sense of a complete understanding was unattainable while Japanese troops occupied Manchuria and Jehol, President Wang said he believed Japanese opposition had played no part in reducing the prospects of early international financial assistance."

This was evidently considered too strong a statement in public print and was emasculated by the Foreign Office spokesman, quoted by the Central News Agency eight days later:

"Mr. Morris asked whether relations between China and Japan had turned for the better. Mr. Wang replied that this was a fact. Mr. Morris asked whether a settlement had already been reached in respect of the problem of the Four Eastern Provinces. To this Mr. Wang replied that with regard to this question both China and Japan were still holding the views to which they each had hitherto maintained. Mr. Morris said that in that case the so-called turn for the better had not taken any concrete form. Mr. Wang said that in order to secure a turn for the better in Sino-Japanese relations steps must first be taken to adjust other questions. Mr. Morris asked whether Japan had objected to China's contracting for an international loan. Mr. Wang replied that the Japanese Government had not given any expression of that nature."

5. Whether the statement cited in my telegram of April 25, 12 noon, that the Chinese Government anticipates no further definite moves on the part of the Japanese until the conclusion of the Communist campaign may be taken as an indication that Mr. Hirota will not visit China in the near future, I should not venture to say. I do not think so. I think rather that the superficial dilatoriness of the Japanese is a case of waiting, not only to give the Chinese Government a chance to meet their wishes, but of waiting also until General Chiang is physically and mentally more accessible than he is in Chungking or flying between that place and Kwaiyang and Yunnanfu. It has been considered strange

by some

-10-

by some observers that the Japanese should not press their case strenuously at this time while the Generalissimo's military organization is heavily engaged by the communist bandits. It has been argued that this cannot be kindness on the part of the Japanese and there have even circulated rumors that General Chiang has bargained with them to let him alone at this time. A sounder explanation, I believe, is that the Japanese entertain hopes that the Chinese will come to their point of view as regards Sino-Japanese cooperation and their apparent patience is designed to let the Chinese capitulate to their wishes without the appearance of coercion. It is possible, too, that the Japanese look to the clear-sightedness of General Chiang Kai-shek in grasping the "realities", his actual leadership of the Government (with Madame Chiang Kai-shek), and the courage and decisiveness of character which he might be hoped to exhibit in the task if he decides to "cooperate" with them. It will be recalled that the first intimation at the end of January that the Japanese had made a new and far-reaching move in Far Eastern affairs was an account of a meeting with Shanghai bankers at which General Chiang Kai-shek proposed accepting financial assistance from Japan. The other arguments, however, should not be ignored completely. If it is at all true, as the Vice Minister was quoted as saying in the telegram under reference, that the present inaction of the Japanese is giving the National Government an opportunity to come to agreement with the Southwest, there is to be considered the fact that any change which may have occurred in the attitude of the Canton clique has occurred since the

Visit to

-11-

visit to Canton about the middle of March of General doihara.

d. If the Japanese find it possible to persuade the Chinese Government, without public threat or overt action, to cooperate with them as they desire, the future of the present or any future Government working along those lines will depend in large measure upon the reaction of the people as fostered by the political enemies of those in power. It is doubtful whether the peasants and lower classes generally care to any great extent so long as their livelihood is not adversely affected and a growing spirit of something like patriotism, based upon a realization of the actualities, may in the end bring some of the most powerful non-Government figures into the Governmental fold. One of these is Mr. T. V. Soong and only last evening I was informed by a reliable American of standing who has known Mr. Soong well for several years and has seen him within the last few days that his opposition to the Government's policy of conciliation toward Japan which has kept him from again taking active part in the Government is disappearing.

There are many reasons why reasoning Chinese other than Government officials might incline to favor a program of cooperation with Japan if they could do so without stigma. If Japanese financial assistance could pull China from her present deplorable condition, if Japanese money could develop the North China cotton industry to a point where the Japanese would fill their needs from the Chinese crop instead of the American, if Chinese wool could replace Australian wool in the Japanese

market.

-12-

market, if Chinese spinning mills could operate profitably for Chinese investors with Japanese assistance, if various Chinese industries could be "rationalized" as Japanese industries have been and sell their products successfully in the world's markets, there would be reason to consider economic cooperation favorably. And many of these "ifs" could become realities.

With all their business genius, the Chinese have signally failed in many branches of trade. Outstanding examples are the loss of the onetime great tea trade; the conspicuous lack of success attending the greatest of Chinese shipping enterprises, the China Merchants Steamship Company; the adverse effects of dilution and other elements upon the trade in wood-oil; the recent auctioning in Shanghai of one of the mills of the Jung Ling Cotton Weaving and Spinning Company. The export trade in Tientsin and Peking rugs is largely in foreign hands although there was no reason, in the days of good markets in the United States, why an efficient Chinese organization should not have been able to design and make and sell abroad as successfully. Sausage-casings, wool, hides and skin, straw braid, egg products and many other exports go abroad chiefly through foreign firms.

The reasons for Japanese success in industry, and particularly in producing certain cheap articles which successfully compete abroad with native articles are too numerous and complicate to warrant discussion here. One of the most important reasons why Chinese industries, if efficiently operated, often do not succeed is that,

unlike

-13-

unlike the Japanese, they do not receive Government support either in the way of subsidies or of low taxes. As one Chinese informant remarked to me recently, there is no possibility that the industrialization of China will enable Chinese to compete in their own market with cheap articles imported from Japan because the Chinese Government will continue to "tax industry to death" in this country. The Chinese Government is chronically short of funds, a condition which may be expected to endure, and there is little hope that industries will ever have the encouragement of reduced taxes.

7. It is a temptation to speculate upon the future of the foreigner and his interests in China in case the Chinese mind should come to accept economic cooperation with Japan along the lines conceived by the Japanese and whether out of such relationship between the two peoples the pan-Asia idea might not flower into something more than a utopian kind of concept in the minds of Oriental visionaries. But it is doubtful whether, if they attain their own way with China, the Japanese will develop the ability to restrain the manifestations of their own inferiority complex and accord the Chinese the friendly treatment as equals that would be necessary to win the Chinese to a real sense that their destinies are joined together.

Respectfully yours,

George Atcheson, Jr.,
Second Secretary of Legation.

Original and five copies to Legation, Peiping.
Copy to Embassy, Tokyo.
Copy to American Minister, now at Nanking.

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 10 signed copy-
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182

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

June 25 1935

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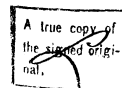
To the American Minister,
Peiping.

The Secretary of State refers to the Legation's despatch dated May 7, 1935, transmitting copies of a confidential despatch dated April 30, 1935, from the Nanking office, entitled NOTES ON THE PRESENT SINO-JAPANESE SITUATION and transmits, for the Legation's information, a copy of a contemporaneous instruction addressed to the American Consul General at Nanking, commending the despatch.

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Enclosure:

Copy of Department's
instruction of even
date to American Consul
General, Nanking.



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Jun. 24 1935

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June 21, 1935.

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

June 25 1935

Willys R. Peck, Esquire,
 American Consul General,
 Nanking, China.

Sir:

The Department has received through the Legation at Peiping copies of a confidential despatch dated April 30, 1935, entitled NOTES ON THE PRESENT SINO-JAPANESE SITUATION, written by Mr. George Atcheson, Jr., to the American Minister at Peiping. In this connection I take pleasure in informing you that the Department, in view of the timeliness of the despatch as well as the careful and thoughtful analysis of the complicated political situation which it presents, has accorded to the despatch the rating of EXCELLENT.

The contents of this instruction should be brought to the notice of Mr. Atcheson.

Very truly yours,

For the Secretary of State:

WILBUR J. CARR

793.94/6990

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A-C/C:GHK:VTS.

FE

June 21, 1935.

CR 115
 Jun. 24 1935

A true copy of
 the signed original.

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

June 10, 1935.

WFF: ✓ *MM*

~~ROM:~~

~~RCM:~~

~~MAH:~~

Tokyo's 1289 of May 10, 1935, entitled "Reports of Negotiations for a Sino-Japanese Rapprochement", contrasts rather sharply with the present crisis in north China.

The first line of the despatch reports that there has been "a slight falling off of interest on the part of the Japanese press in the reported negotiations looking toward a Sino-Japanese rapprochement", leaving a general feeling that the ends desired will require more time than was at first expected. Doubt was beginning to appear in regard to the reality of China's reported change of heart. General Doihara was reported in April as having given expression to such doubt and to have advocated an attitude by Japan of *cautious* waiting. Even Mr. Ariyoshi was said to have advised caution in regard to the possibility of any change being effected quickly; that on the other hand the Nanking authorities had made friendly gestures to Japan; and that the moment seemed favorable to settle certain outstanding differences.

The most interesting portion of the despatch, in the light of subsequent developments, is the second paragraph

on

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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

- 2 -

on page 4, in which the influential ASAHI is reported to have stated that the Japanese military was of the opinion that Chiang Kai-shek's "two main objectives are the unification of China and subsequent revenge on Japan" and that he considered it politic to keep relations with Japan as quiet as possible, presumably with a view to lulling the Japanese into a false sense of security.

Another interesting feature of the despatch is the reference to the somewhat violent reaction in a Japanese paper to the reported desire of the British to mediate between Japan and China, -- even the spokesman of the Japanese Foreign Office expressing resentment over such reported British desire. The Embassy reports in conclusion that the British Ambassador was instructed to protest against statements made in this connection by that spokesman.

No action required. I suggest, however, that this despatch be read.

 RHD/DEY

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

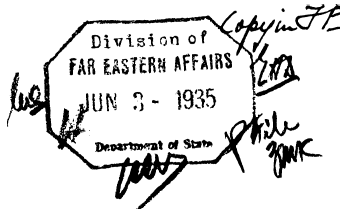


EMBASSY OF THE
UNITED STATES OF AMERICA
Tokyo, May 10, 1935

No. 1289

Subject: Reports of Negotiations for a Sino-
Japanese Rapprochement.

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DEPARTMENT OF STATE

1935 JUN 1 12 11 01

793.94/6991

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to report that for the past few weeks there has been apparently a slight falling off of interest on the part of the Japanese press in the reported negotiations looking toward a Sino-Japanese rapprochement. Although this fact cannot be taken as an indication that the efforts toward cooperation between the two countries are believed to have

failed

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- 2 -

failed, there seems to be a general feeling that the conclusion of an eventual understanding will require more time than at first was expected. Furthermore, some of the newspapers have exhibited less credence than previously in China's reported change of heart on the question of anti-Japanese agitation and boycott.

Upon his arrival in Tokyo on April 1 Major General Kenji Doihara, of the Mukden Special Service Department of the Kwantung Army, was reported by the JAPAN TIMES of that date to have stated that the Chinese leaders in Nanking and Canton hoped to obtain Japanese assistance for the subjugation of communist troops in China and that this fact might have been the major cause for China's desire for the friendly cooperation of Japan. He was further said by this newspaper to have told press correspondents that there still remained the question as to how far the Japanese could believe China's expressions of friendship and that under such conditions it would be best for Japan to watch developments calmly before deciding upon a definite policy. According to the JAPAN CHRONICLE of April 19, Major General Doihara expressed very much the same ideas in Osaka on April 17 on his way back to his post in the Kwantung Leased Territory. Mr. Ariyoshi, the Japanese Minister to China, another official who has recently made an inspection tour of China, expressed similar though somewhat more optimistic views on the Sino-Japanese situation, as reported by the press, upon his visit to Japan during the latter part of last month. The JAPAN CHRONICLE of April 23 attributed the following statements to Mr. Ariyoshi, said to have been

made

- 3 -

made by him in Kobe on April 22: that it would be foolish to believe that the situation in China could be changed quickly; that the proper view to take was that the situation had improved to the extent that the Nanking authorities had thought fit to make a friendly gesture to Japan; that in his opinion it would be best to accept China's profession of friendship and to utilize the present opportunity for the settlement of outstanding problems; and that there was no doubt that the Nanking Government was earnestly endeavoring to suppress anti-Japanese movements. The vernacular newspapers made various conjectures concerning the reports on the situation in China submitted to the Foreign Office by Mr. Ariyoshi after his arrival in Tokyo, although the Ministry for Foreign Affairs has issued no announcement concerning its conferences with that diplomat. For example, the ASAHI of April 23 reported that the Minister to China had told Mr. Hirota that China's most urgent need was an economic rapprochement with Japan; that Japan need not "necessarily" oppose international loans to China; that the sincerity of the Nanking Government in its attitude toward Japan should be recognized; and that his personal view was that relations in general had certainly become better.

The HOCHI of April 10 interpreted the apparent lull in the Sino-Japanese situation as an indication of a coming improvement in the relations between Japan and China. On the other hand, the same newspaper admitted that there were certain obstacles that stood in the way

of

- 4 -

of a Sino-Japanese rapprochement, one of them being the attitude taken by certain Japanese that China must recognize "Manchukuo" before there could be a rapprochement, another obstacle being the growth of an opinion in China in favor of the recovery of the four Eastern Provinces lost as a result of the Manchurian incident of 1931 and succeeding events. These statements of the HOCHI may be taken as a typical illustration of the uncertainty prevailing in the Japanese press, and perhaps among the public generally, with regard to the much discussed rapprochement.

From all reports it would appear that the Japanese military persist in refusing to accept Nanking's reported professions of friendship for Japan at their face value.* According to the ASAHI of April 25, Mr. Ariyoshi's alleged endorsement of the view that the Nanking Government is sincerely desirous of better relations with Japan has stirred military circles to point out that Chiang Kai-shek's friendly expressions and promises can be explained by an "ingenious" scheme in the back of his mind. The military are reported to believe that the Chinese leader's two main objectives are the unification of China and subsequent revenge on Japan; that he deems it politic to keep relations with Japan as quiet as possible pending the settlement of disturbed domestic conditions in China; that in his opinion the United States and Great Britain consider it prudent to withhold support from China until Sino-Japanese relations have improved; and that therefore he has made friendly gestures toward Japan and has

succeeded

* Embassy's despatch No. 1204, March 19, 1935.

- 5 -

succeeded in making it appear, at least on the surface, that Sino-Japanese relations have undergone a change for the better.

Recent rumors that the Japanese Government was seriously contemplating the raising of its Legation in China to the status of an Embassy* proved to be well founded yesterday, when the Vice Minister for Foreign Affairs informed me of the decision of the Japanese Government to take this step within the next few weeks.**

There has been noticeably less comment of late on reports of international assistance to China.*** The general attitude of the press appears to be that Great Britain's proposed international loan to China has fallen through partly as a result of the alleged lukewarm attitude adopted toward the proposal by the United States.

According to the JAPAN ADVERTISER of April 6, on the preceding day the Foreign Office spokesman expressed suspicion of Great Britain's policy toward China, stating that the reports of what the British were doing in regard to China were so conflicting that their real intentions could not be known; that there was no need for the British mediation between Japan and China which had been urged upon the House of Lords by Lord Peel on April 3rd; and that the best thing would be to let Japan and China alone. Mr. Wilfrid Fleisher of the JAPAN ADVERTISER informed a member of the Embassy's staff that on this occasion Mr. Amau had been more than usually vigorous in his manner of expression. On April 6 the ASAHI printed an editorial

repudiating

* Embassy's Monthly Reports for March and April, 1935.

** Embassy's telegram No. 101, May 9, 1935.

*** Embassy's despatch No. 1204, March 19, 1935.

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

- 6 -

repudiating "British mediation" between Japan and China and alleged British attempts to interfere in the settlement of various pending problems in the Far East. The British Ambassador was instructed by his Government to protest emphatically to the Minister for Foreign Affairs against the statements made to press correspondents by the Foreign Office spokesman on April 5.* Sir Robert Clive told me on April 11 that he was convinced that the ASAHI article above-mentioned had been inspired directly by Mr. Hirota, a close friend of the editor of that newspaper.

Respectfully yours,



Joseph C. Grew

GDA:m
710

Copy to Legation, Peiping.

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* Embassy's telegram No. 78, April 11, 1935.

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

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FROM

GRAY

Peiping via N. R.

Dated June 1, 1935.

Rec'd. 2:50 p. m.

Secretary of State,
Washington.

235, June 1, 7 p. m.

Reference Legation's 233, June 1, 4 p. m. and
previous.

Following telegram has been received from
American Consul General at Mukden. "June 1, 3 p. m.
Local press today contains interview issued yesterday
afternoon by chief of staff Kwantung Army stating
that the North China administration and the Nanking
Government are responsible for the conditions in the
demilitarized zone which have repeatedly disturbed
the peace of Jehol Province and that it is clear that
the bases whence the volunteers receive their guidance
are in the Peiping-Tientsin area. He indicated that
the Kwantung army might be obliged to take measures
for its self defense, and that China would be entirely
responsible for the consequences.

I called this afternoon on Major Tajima, acting
chief of the Mukden military mission who did not thro

much

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JUN 4 1935

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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 -
235 from Peiping,
June 1, 7 pm.

much further light on the subject except to say that he understood that the Japanese demands provided for the inclusion of Peiping and Tientsin in the demilitarized zone. He believed that the Chinese would accept these demands and he therefore anticipated no further action by the Kwantung army."

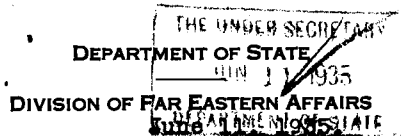
FOR THE MINISTER

LOCKHART.

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



U:
Mr. Phillips.

Attention is called to the last sentence of the attached despatch of April 30 from Minister Johnson at Nanking, reporting that the representative of the Japanese Embassy at Nanking "stated emphatically that Japan, believing that any loan at the present time along the lines of the Administrative Loan of 1912 would be of no value, was not interested in direct financial assistance to China and that, as China was not under present conditions in a position to make currency reform effective, Japan was not interested in lending money for the purpose of attempting to reform Chinese currency".

MMH/REK

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



LEGATION OF THE
UNITED STATES OF AMERICA
Nanking, April 30, 1935.

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Subject: Mr. Y. Suma's comment on
Sino-Japanese relations
and financial assistance
to China.

W. C. F. E.
JUN 8 - 1935
Department of State

For Distribution Check			
Grade	For	To be in U.S.A.	Yes No
	X	X	

The Honorable
The Secretary of State,
Washington.

OFFICE OF ECONOMIC ADVISER
JUN 13 1935
DEPARTMENT OF STATE

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DEPARTMENT OF STATE

15 JUN 1 PM 12 02

Sir:

I have the honor to report that in a conversation with me today Mr. Y. Suma, Japanese Consul General and First Secretary of Legation at Nanking, commented on the recent improvement in Sino-Japanese relations and on the possibility of foreign financial assistance to China (reference my telegram No. 88 of May 1, 12 noon, 1935, from Nanking). Mr. Suma is given to talking a great deal and the accuracy of his statements is not infrequently open to question, although he is always informative.

With regard to Sino-Japanese relations, Mr. Suma told me that representatives who attended the conference of Japanese consular officers at Shanghai in April reported that the conversations between Chinese and Japanese officials held early this year for the purpose of effecting closer "cooperation" between the two countries had resulted in a general improvement in their various consular districts in the attitude of

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- 2 -

the Chinese toward Japan. He said, however, that in certain places, such as the capital cities of Chekiang and Kiangsu Provinces, there was still considerable evidence of anti-Japanese activities. He added that such activities were no longer being instigated by officials, such initiative having been taken over by Chinese trade unions. According to Mr. Suma, the improved relations have resulted only in an increase of Sino-Japanese trade.

In speaking of the possibility of foreign financial assistance to the National Government, Mr. Suma said that he had asked the British Minister what Chinese official had approached him to suggest that the National Government would like to obtain a loan from Great Britain and that the British Minister had informed him that Mr. T. V. Soong, as a representative of the Finance Minister, Dr. H. H. Kung, had done so. Mr. Suma expressed the opinion to me that such an approach could not be taken seriously, as it was not the proper channel for such a proposal, the proper channel being the Central Executive Committee through the Minister for Foreign Affairs. (I might suggest that this opinion is a rather strange one to come from Mr. Suma in view of the irregular approaches made with regard to Sino-Japanese matters to Chinese officials by Japanese who are not connected with the Japanese Ministry for Foreign Affairs).

Mr. Suma then went on to say that Dr. H. H. Kung had approached him twice and Mr. T. V. Soong once to ask him whether Japan would be willing to lend money to the National Government but that he, Mr. Suma, had not

regarded

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

- 3 -

regarded their inquiries seriously. He said that Dr. Kung had been rather vague in regard to the details of the loan desired, although in their second conversation Dr. Kung had said that the loan would be used for the improvement of Chinese railways, agriculture, and the like. Mr. Soong, on the other hand, had definitely said that China would like to borrow money for the purpose of reforming Chinese currency. Mr. Suma stated emphatically that Japan, believing that any loan at the present time along the lines of the Administrative Loan of 1912 would be of no value, was not interested in direct financial assistance to China and that, as China was not under present conditions in a position to make currency reform effective, Japan was not interested in lending money for the purpose of attempting to reform Chinese currency.

Respectfully yours,
Nelson A. Rockefeller

LES:T X

Original and four copies to the Department.
Copy to the Legation, Peiping.
Copy to the Embassy, Tokyo.

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

June 7, 1935.

S
Mr. Secretary:

U
Mr. Phillips:

In the attached despatch from Nanking under date May 1, 1935, Minister Johnson gives his estimate of the future of Japan in China. He brings out the following points:

Japan's foreign policy in recent years has been founded upon a search for a solution of the problem of her rapidly increasing population and the related problem of maintaining a sufficient food supply. Finding that her population problem could not be solved by birth control or migration (because of immigration laws in occidental countries and a rapidly increasing Chinese population in China and Manchuria) Japan has been obliged to attempt a policy of industrialization.

Japan's well organized and well distributed factories are capable of making a wide variety of products very cheaply. By means of tariff barriers and quotas foreign markets for these products of Japan are now being closed and Japan is being

forced

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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

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forced to turn back to Asia and to seek in China her future market.

With respect to China two methods of procedure appear to be open to Japan: first, the more positive plans of the military group, and, second, the more negative plans of the liberal element represented by a part of the Foreign Office and Japanese industry. It is now beginning to dawn upon the military group which has been in the ascendancy that conquered Manchuria does not contain any great quantities of raw material to meet the necessities of Japanese industry. Consequently, the liberal element is now being given an opportunity to try out its policy which looks to a practicable arrangement between China and Japan by which Japan can obtain such raw materials (principally cotton and wool) from China as are needed and in return establish a greater market for her manufactured goods. In order to increase Japan's market in China the boycott must be overcome and Chinese factories which are now springing up must be kept from competing with those of Japan. China is now a cheap market and must remain so because of the rapidly increasing population and because Japan can

not

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

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not afford to let China become industrialized. In order to keep China as a market Japan will have to furnish the police force necessary to preserve order. At the same time Japan will have difficulty in preventing the establishment, under efficient Japanese management, of factories in China which will have the advantages of being near the source of raw materials and of having an inexhaustible supply of cheap, intelligent and industrious labor. In the event of such a development, it will be difficult for the countries of the West to continue to deny their people access to the cheap products of the Orient. Therein will lie the real Yellow Peril, an economic rather than a political peril.

M. M. H.

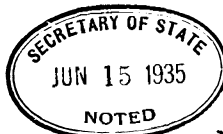
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Department of State letter, August 10, 1972
By Milton D. Quatefen NARS, Date 12-18-75



LEGATION OF THE
UNITED STATES OF AMERICA

Nanking, May 1, 1935



Subject: An Estimate of the Future
of Japan in China.

August 12 1935

Just. to Peiping

For Distribution Check		Yes	No
Code			
File			
In			

THE UNDER SECRETARY
JUN 12 1935
DEPARTMENT OF STATE

The Honorable

The Secretary of State,

Washington, D. C.

OFFICE OF THE ASSISTANT SECRETARY
JUN 15 1935
DEPARTMENT OF STATE

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It is worth while considering some of the factors involved in the current speculation regarding the future of Japan in Asia, particularly with reference to Japan's policy toward China and Chinese response to the policy.

Japan's foreign policy in recent years has been founded upon a search for a solution of the problem of her population. Settled upon a group of islands, only sixteen per centum of whose soil is capable of providing subsistence, Japan's population has already reached a point where the question of food is a pressing one. Her population is at the moment increasing at the rate of from eight hundred thousand to a million each year. This problem has for a considerable space of time been the chief preoccupation of the minds of the leaders of Japan, for it is imperative that means be found whereby her people may be fed.

It is not a characteristic of the people of Japan that they should give up and accept without a struggle

this

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TRADE AGREEMENTS
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DEPARTMENT OF STATE

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this situation which fate and a limited environment have prepared for them. The Japanese have initiative, a flair for orderliness in their social organization and a deeply seated belief in their civilizing mission. They fought their way northward from the southern place of their ancient origins and they have the spirit to fight for their chance to live in the world in which they now have their national being.

It is true that there are times in the life of a Japanese when, thwarted on all sides, he will retire into himself and brood upon his fate, shutting himself off from his fellows. Such brooding may end in suicide, a violent admission of an individual's inability to find a way out, or a protest against conditions that he finds unbearable. But before setting out upon such a period of brooding the Japanese may be expected to use every means at his disposal to find the way out.

The Japanese people are now faced with what on the surface appear to be insolvable problems connected with the feeding of their rapidly increasing population and it is clear that they are trying by every means to find the solutions that are imperative if their people are to live happily and fulfill the mission which they have persuaded themselves is theirs.

This population problem of Japan is essentially a modern one. It was not a pressing one during the period of seclusion, when the ordinary checks to population, famine, pestilence and infant mortality kept the population fairly stable. With the beginning of the Meiji

era,

-3-

era, however, in 1868, there came better conditions for the people, better government, better sanitation, better communications and better control of the conditions that permitted of famine. The checks are gone but the momentum of life continues at the old rate with the result mentioned.

It seems to me that birth control as a check to this life momentum is a subject of somewhat academic interest at the moment. It will be some time before any such methods could become sufficiently universal in use to have any appreciable effect. The fact is that generations are now coming into the world and growing to adulthood that must be fed. These are the generations that must cause the trouble.

Migration is out of the question. In the West where population pressure was earlier felt the white peoples took thought of the situation and marked out for themselves the areas into which they have been and are pouring their surplus peoples. The United States ceased to be a haven for the surplusage of Europe's population with the enactment of the immigration laws of 1924. There is not a chance that the United States will open its doors to unlimited immigration from Asia. Nor will the colonies of the British Empire, which still offer a home to the peoples of Northern Europe, take kindly to a proposal that they open their doors to the people

-4-

people of Asia.

There is a current belief that Asia offers a home for the surplus population of Japan. This belief is based upon inadequate information regarding China's own population. There is reason to believe that China's population has been increasing at a rate not dissimilar to that of Japan. The evidence of this increase is found in the low standard of living everywhere visible and in the fact that the Chinese have been migrating outward all along the periphery of the country. Chinese settlers are moving northward into the Mongolian steppe lands at a rate variously estimated at from one to one and a half miles per year. This fact lies at the base of the constant difficulties between the Chinese Government and the nomadic Mongols. The nomad with his communal interest in the soil moves away from the neighborhood of the sedentary Chinese farmer who brings with him his peculiar attitude toward land and its cultivation. The same pressure to a lesser degree is evident to the northwest into Turkestan and along the Tibetan marches.

But the area best suited to the sedentary habits of the peasant Chinese farmer bent on finding a new home is found in Manchuria. For a long time the Manchus discouraged Chinese migration into the country which they considered the land of their origin, but from the time

of the

-5-

of the Russo-Japanese War on this ban was lifted. By 1909 Manchuria had a Chinese population of somewhere in the neighborhood of 10,000,000 and this Chinese population had increased to about 29 millions by 1931. It can be expected that with the better conditions that will prevail under Japanese rule in Manchuria the Chinese population will increase in the next ten years by a third if not by a half so that it is easy to see that there will be little if any room for Japanese to settle in Manchuria.

This assumes of course that the Japanese will care to go to Manchuria to settle as farmers. The Japanese have attempted and continue to try to settle their people as farmers in Manchuria, the latest scheme being to bring young farmers and their families over to settle them along the lines of the railways under obligation to act as guards for the railways in return for the assistance that the Government gives in placing them on the land. Experience thus far indicates that Japanese brought over tend to gravitate toward the cities where they can get the so called "high collar" jobs which they consider better suited to the dignity of a conquering and ruling people.

There is a mysterious incompatibility between the peoples of the two countries that I have never seen explained. The Chinese look down upon the Japanese as a people with

-6-

people with little or no culture of their own and there is no doubt that the Japanese despise the Chinese. Intermarriage between the two peoples is almost unknown. This fact ~~that~~ was brought out incidentally by a survey made of the population of Hawaii where Japanese, Koreans, Chinese, Portuguese, Filipinos, Kanakas, Russians and American whites live peaceably together. Here it was found that whereas Japanese and Kanakas and whites intermarried, there was no intermarriage as between Koreans and Japanese or as between Chinese and Japanese. The Japanese are more emotional than the Chinese, and have an innate sense of the artistic that the Chinese do not appear to have. The Chinese have and create artistically beautifully things, paintings, gardens, buildings, carved stone and wood and porcelains. But they are generally content to live in surroundings and in rooms that from an esthetic point of view are extremely uncomfortable. The Chinese surrounds himself with a wall and looks inward at himself and his belongings. He is an individualist and never so happy as when surrounded by confusion. The Japanese builds on high ground when he can and opens his house to look outward. The two peoples are not happy in one another's company.

Formosa may be taken as the test tube in which the chemical composition resulting from Japanese and Chinese living

-7-

living together can be observed. In 1930, some thirty-six years after the Japanese had come into possession of the Island of Formosa, there were some 4,309,000 Chinese living in the Island as against 232,200 Japanese. At the end of 36 years the Japanese still look upon the Chinese in Formosa as a subject people. Some two thirds of the Japanese population are engaged in the business of government, employed as police, clerks, administrators, in the opium monopoly, salt monopoly and camphor monopoly. The remaining third are the hewers of wood and drawers of water for the first two thirds. They are the geisha, carpenters, merchants, et cetera who make living possible for the governing Japanese population who live as Japanese, in Japanese dress, in Japanese houses, eating Japanese food and talking Japanese. The Chinese population lives in the river valleys carrying on their peculiar rice culture brought with them from Fukien three hundred years ago, resides in cities in Chinese houses, wearing Chinese clothes, worshipping at Chinese Buddhist temples, eating Chinese food and talking Chinese, generally looking to China as their cultural center just as the Japanese look to Japan. The Japanese have two sets of schools, the one for Japanese and the other for their Chinese subjects.

Some years ago I went over a series of the text-books prepared for use in the primary schools for Chinese
in Formosa

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in Formosa and noted with interest that little or no effort was being made to accomplish the impossible task of making the younger Chinese feel that they were co-heritors with the Japanese in the divine heritage of Amaterasu, the Sun Goddess ancestor of the Japanese. The Japanese military service law apparently does not apply to the subject Chinese population, the armies being kept purely Japanese. The Japanese with whom I made a three day trip into the hills was being let out of the Government after seventeen years of employment and was going back to Japan. When I asked him why he did not find work for himself in Formosa, where he had spent the better part of his life and where he was therefore specially equipped to render valuable service to his Government and his people, he stated that the Government did not encourage such a thing. He said that it would be harmful to the prestige of the Japanese for those who had been in Government service and in uniform (all civil servants wear a uniform and are greeted with respect by the people who take off their hats in their presence) to seek employment outside of Government in business either with the Chinese or in agriculture.

On the journey that we took into the hills we passed by a very elaborate scheme for irrigating and reclaiming arid land. By chance I met the Japanese gentleman who was in charge of the enterprise and he told me that they had

fifty

-9-

fifty thousand acres of land ready to be irrigated and put under cultivation. In reply to my questions he stated that he did not propose to bring down Japanese farmers because they could not compete with the Chinese farmers settled in the river valleys, nor could the Japanese farmers use machinery with any degree of efficiency. He stated that they were settling Chinese farmers on the newly reclaimed land. In other words they were bringing in cheap Chinese peasant labor to raise the rice that the company hoped to produce on its new land.

Japanese officials scattered through the country as police and petty administrators among the Chinese population were as lonely in their work as any American might be whose lot it was to administer some small area among the Filipinos. One cannot come into contact with such facts of Sino-Japanese cooperation without wondering as to its end.

It has been my observation that similar conditions exist in Korea and now in Manchuria where the Japanese have gone in as conquerors and rulers despising the people they govern.

When one considers such facts as these one loses interest in the ancient bogey of the Yellow Peril which used to be described as a mass movement of the yellow peoples led by the Japanese to the conquest of the West. Even the conquering Mongol was unable to recruit his

forces

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forces from China for the purpose of holding the empire established with Mongol hordes. One wonders anew as to the exact nature of the part that Japan is to play in Asia pressed as she is to find solutions for the problems that her increasing population makes so imperative.

Migration for her people is out of the question. Shut in on all sides and forced to take care of her people at home, she has therefore been obliged to adopt a policy of industrialization, that is, to put her people to work at home to produce goods which can be sold abroad for the money necessary to buy the food and the comforts needed to keep them alive and happy.

The needs of Japan have gone far beyond the mere manufacture of the things that were peculiar to her culture in such surplus as to have stock available for sale abroad. Silk, one of the natural products of Japan heretofore capable of supporting approximately twelve million of Japan's population, can no longer be relied upon in the face of the competition that is offered by rayon, a product of machine industry having practically all of the qualities of silk.

Japan's modern industries began in an effort of enterprising manufacturers, aided by a paternal Government, to copy goods which were coming into the country from abroad. It was not long before Japanese factories, well organized and well distributed, were capable of

making

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making a wide variety of products which they were prepared to offer in foreign markets at prices which the products of foreign labor could not meet in their own domestic fields. In the special field of textiles the Japanese have had a long and fine experience. This experience they have naturally turned to excellent use in the development of improved looms and in the production of cotton and silk textiles which are being shipped to Europe and to America at prices that the European and American textile manufacturers cannot hope to meet.

The reaction of the West to this effort of the Japanese to find an outlet for the productive effort of their people has been a natural one, although it is perhaps open to the charge that it results only in denying to the consumer his right to purchase his needs in the cheapest market. The West is erecting barriers against the cheaper Japanese merchandise by higher tariffs or by quotas in an effort to raise the price of Japanese goods to western consumers up to the level of prices which it is necessary to charge for western domestically made products if western labor is to be maintained at the standard of wage and living to which it has been brought by a long period of care. Japanese industry has injected into the field of international trade a new element. It is no longer a competition of national skills but a competition in standards of living, costs of labor and management,

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management, a competition in which the Japanese with his simpler needs is better fitted to survive.

There seems to be no other way for the western world, with its high living standards and high labor costs, to meet the threat that Japanese industry presents than to shut out of its markets the cheaper products of Japanese industry. The end is of course clear. Unable to send their surplus population abroad and having the products of their stay-at-home population thrown back upon them, the Japanese must turn back to Asia to seek the solution to their problem. As a Chinese leader put it the other day, "If you throw their goods back on them then we must receive their thrust, and we are in no position to resist."

There seems to be no doubt that Japan's policy toward China has been adopted as a means of meeting the problem that curses her. In the carrying out of this policy she wavers between the more positive plans of the military group that has always feared the awakening of China and of Russia, and the more negative plans of the liberal, urbanized, industrial leaders who have at times directed Japanese political development and foreign policy since the Restoration.

The military leaders, influenced by the plight of Japan's rural population from which the bulk of the soldiers are recruited, have apparently hoped by forceful means to place Japan's military boundary far enough away from the geographical boundaries of Japan proper to meet

any

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any threat of Russia before it could reach Japanese soil. They have also hoped to find in Asia an outlet for Japan's hard pressed population and at the same time so to control political developments in China as to rob them of any threat to Japan. The military boundary has duly been placed at the Hingan Mountains and doubtless Japanese military leaders sleep the more quietly for this fact.

But Manchuria and China as an outlet for Japan's population have proved and will continue to prove of no value. The constantly increasing millions of Chinese that inhabit Manchuria must absorb most of the profit of whatever Japan can put into that country.

The military who were responsible for the Japanese adventure in Manchuria doubtless believed that they could build up in Manchuria a market for Japanese goods that would justify in the eyes of the urban industrialists the expense of their adventure. But the necessity for local industries to raise living standards and the presence of cheap labor to make such local industries possible indicate another trend.

Another factor making for disillusionment of the Japanese is to be found in the dawning realization of the truth that Manchuria does not contain much in the shape of raw material, metallic or mineral, to meet the necessities of Japanese industry, for it was hoped that in

Manchuria

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Manchuria Japan might find freedom from her enslavement to the raw material of western markets.

And thus it is that at the moment the Japanese military group, the party of force in Japanese foreign policy, perhaps partially disillusioned for the time being and confining its chief efforts at least temporarily to Manchuria, has given to the more liberal element, represented by a part of the Foreign Office and Japanese industry, an opportunity to try out a less forceful policy. Economic cooperation between China and Japan is the talk and high hopes are held of a profitable arrangement between the two countries whereby Japan will be able to find a greater market for her goods in China and at the same time find in China the raw materials, produced at low cost, that are so necessary. Coal, iron, oil, raw cotton and wool are the materials of greatest need and the search is now on to find these things in China. For these Japan is prepared to pay in the form of goods made in Japanese factories.

Europe and America will be quite content if the two countries can work out some mutually satisfactory arrangement of this kind which will relieve western markets of the pressure of Japanese competition. But the question arises is such economic cooperation possible. Can Japan find in China the solution for the problems that are

pressing

-15-

pressing so hard upon her?

It has become increasingly evident in recent years that China, and this includes Manchuria, does not possess the reserves of iron, coal, oil and other mineral resources that it was customary twenty years ago to credit her with. There is plenty of coal but much of it is so inaccessible to the sea that anyone undertaking to extract it must go to considerable expense before it can be got to the place where it can be used. China's iron is scattered and does not occur in quantities sufficiently large to make it of much importance when the world situation is considered. Iron can be produced much more cheaply and in greater quantities in India. Such evidences of oil as have been found do not give promise of sufficient quantities to justify the expense of the pipe lines necessary to fetch it to tide water. There is little or no gold produced in the country and no silver to amount to anything. The two metals that are known to exist in China in valuable quantities are antimony and wolfram both of which are useful in the war industries. But in the heavier and more generally important minerals there is little promise of sufficient supplies for an important degree of industrialization over a long period of time.

There remains the question of raw materials that can be produced in the fields and cheap labor that China can furnish

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furnish in abundance.

The chief raw material of value to the Japanese is of course cotton, followed by wool. There can be no doubt that in the matter of cotton for the textile industries of Japan much should be possible in China, for the cheap field labor is here as well as the soil. It should be neither difficult nor expensive to raise materially the quality and quantity of the cotton grown in China. The chief thing to consider in this connection is the problem of food for the labor used in the growing of the cotton.

As a corollary to the purchase of such raw materials from China there goes the matter of China as a market for the products of Japan. The first requisite in this connection is to build up in China a market friendly to the goods of Japan. There has existed since 1915 a smoldering hostility to Japan and Japanese goods that flames in the form of a boycott every now and then. In recent years the activities of the Japanese in China and particularly in Manchuria and Shanghai have added much fuel to this anti-Japanese fire. It has done tremendous damage to Japanese trade and industry and has caused great losses to Japan. One of the first requisites to a peaceful settlement of difficulties between Japan and China must be the wiping out of the boycott activities that have characterized this anti-Japanese feeling.

There

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

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There is no doubt that in recent years this feeling against Japan and Japanese goods has been fostered and abetted by agencies of the Chinese Government and the Kuo-mintang which have used it for the purpose of fanning a national feeling among the people in the schools and in lectures by political leaders. In this connection it must be noted that the activities and pronouncements of Chinese leaders and patriots have been anti-foreign as well as anti-Japanese, for they have used all manner of arguments against the old treaty Powers for the purpose of inculcating national feeling in the rising generations now in school. But the feeling against the Japanese has been intensified by the activities of the Japanese themselves. As a nation they have been singled out for special attention with consequent adverse results to Japanese trade.

One aspect of this whole anti-foreign situation has been the encouragement that it has given to the development of Chinese industries. "Buy Chinese goods" has become a general slogan and Chinese industry, following the line taken by Japanese industry in its infant stages, has been making amazing strides in recent years in its ability to produce usable substitutes for many of the products hitherto brought in from abroad. Bazaars for the sale of Chinese made goods are found in all of the large towns. Itinerant sellers of small wares of Chinese manufacture are to be found throughout the countryside. It is a surprising

experience

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experience to visit such a bazaar for the sale of Chinese goods and there note the wide variety that is offered for sale, modern porcelain dishes and household fittings, textiles of cotton, silk, rayon, and wool, cosmetics, glassware for chemistry and the table, toys, steam and internal combustion engines and so on. Efforts are being made by the Government to encourage the development of such industries through subsidies and bounties and tariffs.

It is possible and probable that the anti-Japanese attitude now prevalent in China may be significantly altered. Certainly the Chinese Government reacting to the pressure of the Japanese is doing what it can to discourage it. But Japanese made products come more and more into competition with products now made in Chinese factories which are acquiring skill as time goes on. For the moment there is an advantage enjoyed by the Japanese product because it is made in a factory better and more economically run. But the interesting question is, will increased skill and experience and the cheaper labor of the Chinese overcome this advantage. Of course a more enlightened attitude in the matter of taxation must govern the financial policy of the Chinese Government; otherwise the Chinese manufacturer will fail under the intolerable burden of uncertain taxes.

The question of silver enters into the picture very definitely

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definitely for silver is the metallic basis of all Chinese business transactions. The future of silver offers an uncertain factor in this whole field. At present it is rising in cost, in terms of gold, the nominal basis for currency in the West and in Japan. And this rise in the price of silver increases the price of all commodities, including labor, used in extraterritorial factories located in China and at the same time lowers the price of goods manufactured in gold-using countries when those goods are presented for sale to Chinese consumers.

China is a cheap market for foreign goods. Eighty or more per cent of the population are peasant farmers with a very small individual budget out of which to make expenditures for foreign made goods. It is doubtful whether the standard of living of large sections of the people of China will ever be raised much above its present level. In China there is reason to feel that the present dead level must maintain because the population is increasing so rapidly that there is little incentive or possibility of the general run of people living much above the standard now reached, not only because of the expense but also because of the lack of enough to go around.

Something has been said of the development of industries in China intended to supply the demand in in China

-20-

in China for certain types of goods hitherto manufactured entirely in foreign countries. It is possible that through the development of such industries the standard of living among a large number of the people may be raised considerably. But it is to be remembered that these infant industries of China parallel the industrial development in Japan and it is hardly possible for Japan to find a market for parallel products in China except at the expense of Chinese industry. Japan will seek such an advantage either by forcing China to lower the tariff on Japanese products or by smuggling or otherwise evading Chinese taxes. The result can only be disastrous to Chinese industrial development and a further handicap to any increase in the living standards of a people forced to concentrate upon the production of food, cotton, wool and other products of agriculture. The picture presented is of China with a large and increasing population engaged almost exclusively in agriculture, being supplied with consumer's goods made almost entirely in Japanese factories. Such a market must always remain a cheap market, and because of the ever increasing number of people to be fed it is possible that as a market it will grow cheaper and cheaper rather than the other way. I frankly question whether such a situation offers any solution, except a partial one, to the problem of Japan's own population. Economically

such

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such a solution does not appear to be a sound one for it will mean that Japan is doomed to the role that Spain played in her colonies without the compensation that Spain received for a long time in the form of newly mined gold and silver from areas under her control.

In order to maintain China as a kept market for Japanese made products Japan will have to furnish the police force necessary to preserve the order that must characterize such a market. As is already the case in Formosa, Korea, and Manchuria, the Japanese will seek the so-called high collar jobs for the maintenance of her prestige among a subject people and the time will come when the whole economic system will topple of its own weight as it did with Spain.

It seems to me very evident that it is more than likely that this role of the "high collar job" will be extended from the ordinary functions of government to the management of factories; that the Japanese will have difficulty in preventing the establishment of factories in China near to the source of the raw materials and able to take advantage of the inexhaustible supply of the cheapest of intelligent and industrious labor. Here will

lie

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

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lie a factor of great difficulty for the domestic industry of Japan.

Herein also is to be found the real Yellow Peril. For it will be very difficult for the countries of the West to continue ^{to} deny their people access to the cheap products of cheap Oriental labor under the efficient management of the Japanese.

Respectfully yours

Nelson A. Rockefeller

Original and four copies to the Department.
Copy to the Legation, Peiping.
Copy to the Embassy, Tokyo.

✓

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

August 12, 1935

No. 1729

The Honorable

Nelson T. Johnson,
American Minister,
Peiping.

Sir:

Reference is made to your despatch of May 1, 1935,
from Nanking, on the subject "An Estimate of the Future
of Japan in China". Officers of the Department have
found this despatch of unusual interest and the Department
desires to commend you for the preparation of this
thoughtful and timely report.

Very truly yours,

For the Secretary of State:

William Phillips

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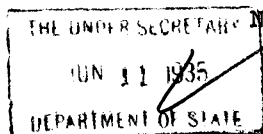
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Department of State letter, August 10, 1972
By Milton O. Quisenberry NARS, Date 12-18-75



LEGATION OF THE
UNITED STATES OF AMERICA



Nanking, May 9, 1935.

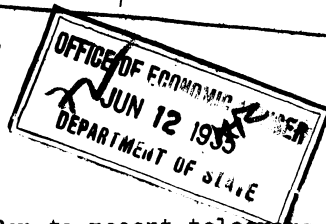


Subject: Attitude of Mr. T. V. Soong
toward Japan.

Grade		For Distribution-Check		Yes	No
For	X	For	X		
		In U.S.A.			

The Honorable

The Secretary of State,
Washington.



Sir:

I have the honor to refer to recent telegrams of the Legation with regard to public utterances of a tenor friendly to Japan made by General Chiang Kai-shek, Dr. Wang Ching-wei, and Mr. Sun Fo and to report that there has occurred a change in the attitude of Mr. T. V. Soong, Chairman of the National Economic Council, toward the Japanese.

During a conversation which I had with Mr. Soong on April 26 I learned that, although he has apparently not changed his attitude of hostility, fear, and suspicion of Japanese motives, he was no longer refusing to see Japanese and discuss matters with them. In fact, he stated that he had found among Japanese bankers and business men a much more sympathetic attitude than was formerly the case and that in recent months he had had many conversations with Japanese bankers who indicated a readiness on their part to cooperate with China.

According to a well-informed Japanese source, the change in Mr. Soong's attitude became apparent last

December.

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December. As a result of his interest being aroused through hearing indirectly the views of two leading Japanese residents with regard to China's financial situation, Mr. Soong arranged to receive these Japanese, one of whom is a banker, and to discuss the question with them. Subsequently, in January, he received from the banker a memorandum of suggestions of measures which the National Government might take in order to cope with the financial situation. Among these suggestions were one that the National Government reorganize certain Chinese banks in order that it might have more effective control over them, another that the advice of the Foreign Bankers' Association at Shanghai be obtained, and a third that cooperation with Japan be carried out. The first two suggestions have already been acted on, and the third is still a question.

The change in the attitude of Mr. Soong, who was formerly regarded as one of the outstanding opponents of Chinese conciliation of Japan, illustrates again the increasing unity of Chinese officials in the belief that, in the present critical situation and in the improbability of assistance from Western nations, "friendship" with Japan is practicably inevitable.

Respectfully yours

Nelson A. Rockefeller

LES:MCL

Original and four copies
to Department.
Copy to Legation, Peiping.
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. Quate NARS, Date 12-18-75

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS
June 11, 1935.

~~MSM:~~
~~ROM:~~
~~MMH:~~

Minister Johnson's despatch of May 9, 1935, briefly outlines certain comments made to him by Mr. T. V. Soong and to a member of the Legation staff by a Japanese newspaper man in regard to the question of Sino-Japanese cooperation.

Mr. Soong told Minister Johnson that although the Japanese had made no "demands" in connection with the working out of some plan for economic cooperation between Japan and China they were, however, pressing the Chinese in respect to five matters as follows:

(1) the establishment of a Sino-Japanese air transportation company in north China;

(2) the construction (by the Japanese) of a railway from Shihkia-chuang, near the Shansi coal fields, to connect with the Tientsin-Pukow line near Tsinan;

(3) effective cooperative exploitation of cotton growing in north China;

(4)

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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 -

(4) acceptance by China of Japanese advisers especially in the Ministries of Finance and War; and

(5) acceptance by the Fukien provincial administration of a loan of yuan 40,000,000 which the Japanese Navy was offering through the authorities in Formosa.

The Japanese newspaper (Rengo) correspondent in commenting on the aims of the Japanese military in China stated that their primary object was to make certain that the Chinese army would not become a menace to Japan, an object which they believe could be attained through the appointment of Japanese advisers. He added that although the Kuantung army regards China as a foreign country which it may possibly have to conquer he did not expect the Kuantung army to take military action in China because he believed that it would be contented with gradual developments, including the appointment of Japanese advisers and the establishment of aerial connections between north China and Manchuria.

EW
EW/VDM

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



LEGATION OF THE
UNITED STATES OF AMERICA

Nanking, May 9, 1935

STRICTLY CONFIDENTIAL

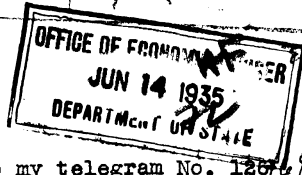
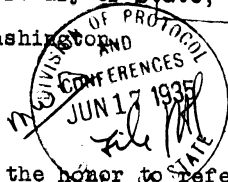
Subject: The Sino-Japanese conversations
looking toward "cooperation".

The Honorable

The Secretary of State,

Washington

DIVISION OF
COMMUNICATIONS
AND RECORDS



I have the honor to refer to my telegram No. 125,924

of March 23, 12 noon, 1935, in which I expressed the opinion that recent Sino-Japanese conversations which had been the subject of widespread speculation were primarily for the purpose of an improvement of a general character in those relations and that there would be gradually apparent evidence that such improvement was being effected, and to supplement this view, which is apparently becoming more and more widely held by Chinese and Japanese observers, with comment made to me April 26 by Mr. T. V. Soong, Chairman of the National Economic Council, and to a member of my staff on April 27 by Mr. S. Matsumoto, a Japanese liberal who has been the head of the Rengo (Japanese) News Agency in China for the past two years. (A copy of a memorandum of my conversation

with

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RECEIVED
DEPARTMENT OF STATE

1935 JUN 19 PM 12 15

793.94/6996

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-2-

with Mr. Soong is enclosed.)

Mr. Soong informed me that the Japanese were now concentrating on working out some plan for economic cooperation with China and that there were no demands being made in this connection. He said that the Japanese, however, were pressing the Chinese very hard along certain lines. It would seem that these Japanese desiderata did not play an essential part, with one exception, in the now famous conversations, as I shall indicate in listing them as Mr. Soong gave them to me. It would also seem that these desiderata may be considered as among those developments which may be expected gradually to take place, at least in some measure, as an outcome of improved relations.

Mr. Soong said that the Japanese were pressing the Chinese in respect to five matters.

(1) The Japanese wish to establish a Sino-Japanese air transportation company with the right to operate airlines in provinces of North China. (Heretofore both Chinese and Japanese informants have stated that the Japanese wish, under the terms of an agreement reached at the time of the signing of the Tangku Truce of May 31, 1933, to establish aerial connection between Manchuria and North China. It is possible that Mr. Soong is mistaken in the extent of the service desired by the Japanese. At least it would seem to belong to the consequences of the

Tangku

-3-

Tangku Truce rather than to any new developments.)

(2) The Japanese wish to construct a railway from Shihkiachuang, near the Shansi coal fields, northeastward to connect with the Tientsin-Pukow line at a point near Tsinan (Tsangchow). (As reported by the Legation to the Department last summer, the question of construction of this line has long been a subject of conversation between interested Chinese and Japanese).

(3) The Japanese wish to effect cooperative exploitation of cotton-growing in North China. According to Mr. Soong, the idea of the Japanese is not to purchase Chinese cotton outright but to advance money, seed, and machinery to Chinese farmers, export their labor through cropping arrangements, and obtain control over the cotton in order that it may be sold in whatever market is best. (This question has also long been known as under discussion, presumably between industrialists rather than between representatives of the governments of the two countries).

(4) The Japanese wish to have China accept Japanese advisers, especially in the Ministries of Finance and of War. (This question, it is believed, figured in the recent conversations above-referred to, although it is by no means a new one, and I shall discuss it more in detail later in this despatch).

(5)

-4-

(5) The Japanese Navy, through the Government⁷ General of Formosa, is pressing on the Fukien Provincial Administration a loan of \$40,000,000 (Chinese currency) for "reconstruction purposes". (This would seem to me to be probably a question not dealt with by the two central governments but a local question pushed by the Japanese Navy and another evidence of sectional dealing by the Japanese with provincial Chinese authorities). Mr. Soong added that the National Government was unwilling to authorize the Chairman of the Fukien Provincial Administration to agree to this arrangement and that the Japanese were adopting a threatening attitude as a result.

From what Mr. Soong said, it would seem that the recent conversations were primarily intended by the Japanese for a general improvement of relations which would make it possible for the Japanese to obtain eventually various agreements on such questions as those reviewed above.

Mr. S. Matsumoto informed a member of my staff that the gist of the significant conversations for cooperation was as follows: the Japanese Minister had called on General Chiang Kai-shek in January and had asked General Chiang to declare himself either for or against the Japanese and, in case he was "for the Japanese", to put down anti-Japanese activities in

order

-5-

order that Sino-Japanese trade might revive. Mr. Matsumoto said that Japanese diplomats had presented no other "demands" but that at about the same time a Japanese military officer had called on a Chinese military officer (presumably General Suzuki, then Japanese Military Attaché, and General Chiang Kai-shek) and had stated that the Japanese would like to have the Chinese employ Japanese advisers.

When asked about the aims of the Japanese military and of the Japanese diplomats, Mr. Matsumoto replied that the Japanese military were not interested in economic questions but in strategic questions, and that their primary object was to make certain that the Chinese army would not become a menace to Japan, an object which they believed they could obtain through the appointment of advisers. Such appointment, he said, would result in the adoption by the Chinese military of Japanese military tactics and strategy and the use of Japanese-made equipment. He summed up the situation by saying that the Japanese military wished to establish a relationship with the Japanese military similar to that existing between the navies of the two countries. According to Mr. Matsumoto, the object of the Japanese Foreign Office was an improvement of feeling between the two countries which would make possible greater economic cooperation.

Mr. Matsumoto

-6-

Mr. Matsumoto also said that the Kwantung Army (or "Manchukuo") regards China as a foreign country which it may possibly be necessary to conquer, while the military and the civilian officials in Tokyo believe that Sino-Japanese friendship is requisite. He added, however, that he does not expect the Kwantung Army to take military action in China because he believes that it will be kept contented by gradual developments, including the appointment of Japanese advisers and the establishment of aerial connection between North China and Manchuria.

From this and other information obtained from both Chinese and Japanese sources, it would seem that the less reactionary Japanese are insisting on the stamping out of anti-Japanese feeling in the hope that good relations may bring about an improvement in Japan's economic situation, which will help to solve Japan's population and food problems, while the Japanese military are at the same time working toward the end of keeping China subservient to Japan militarily. It may well be that the end of either policy, as far as China is concerned, will be the same. Both policies imply infringement of Chinese independence.

It seems at present that the reactionary Japanese military are willing for the time being to permit the more liberal Japanese to try out their policy of

achieving

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

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achieving their end through diplomacy, a development which scarcely seems to mean, however, that the more liberal Japanese element is stronger than it has been since the Manchurian incident. Rather, it would appear that the liberal element is now permitted to act on sufferance of the reactionary military.

Respectfully yours,

Nelson Tinsley Johnson

✓
Enclosure:

- 1/ Memorandum of a conversation with Mr. T. V. Soong.

Original and three copies to Department.
Copy to Legation, Peiping.
Copy to Embassy, Tokyo.

LES:MCL

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2.2.72

STRICTLY CONFIDENTIAL

Sino-Japanese Cooperation

Memorandum of Conversation Shanghai, April 26, 1935.

Conversation with: Mr. T. V. Soong.

In the course of conversation today Mr. Soong inquired about conditions in North China. I told him that everything seemed to be very quiet there. Mr. Soong stated that this was his impression but he said that at the moment the Japanese were concentrating on working out some plan for economic cooperation with China. He stated that there were no demands in this situation but that the Japanese were now pressing the Chinese very hard along certain lines. He outlined this approach as follows: he said that the Japanese wanted

1. To establish a Sino-Japanese air transportation company with the right to operate air lines in North China. He indicated that this would include Hopei, Chahar, Suiyuan, Shansi, Honan, and Shantung.

2. To construct a railway to connect the Tientsin-Pukow line at a point near Tsinan with Shih Chia Chung on the Peiping-Hankow line and the coal fields in Shansi.

3. A cooperative scheme for exploiting the growing of cotton in North China. In this connection Mr. Soong stated that it was not the Japanese idea to purchase Chinese cotton outright. Their idea was to advance money,

seed,

-2-

seed, and machinery to Chinese farmers, exploit their labor through cropping arrangements, and obtain control over the cotton in order that it might be sold wherever the market for it was best. He stated that he could not see how this arrangement would be of benefit to the Chinese concerned.

4. Mr. Soong stated that the Japanese Navy, through Formosa, was pressing very hard for a concession under which it was proposed to lend forty million dollars to the Province of Fukien for reconstruction and development work there. He said that the present Governor of Fukien, Mr. Chen Yi, who has a Japanese wife, was the man being used by the Japanese for this purpose. He intimated that the Government at Nanking had been unwilling to authorize Chen Yi to enter into such an arrangement and that the Japanese were adopting a threatening attitude intimating that they were insulted at China's unwillingness to accept what they considered to be a very generous offer.

5. Mr. Soong said that the Japanese were very anxious that the Chinese accept Japanese advisers. He said that the Japanese were not intending to displace all foreign advisers in China but that they were anxious to have Japanese advisers in the Ministry of Finance and in the Ministry of War.

I gathered from Mr. Soong's conversation that he has not changed his attitude of hostility, fear, and suspicion

of

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

- 2 -

It is the opinion of the British Ambassador in Tokyo, on the basis of the information in his possession, that the situation is ominous, bearing in mind the recently openly hostile and suspicious attitude of certain sections of the Japanese military toward efforts of the Japanese Foreign Office to effect a "reconciliation" with the Chinese Government. It is the British Ambassador's impression that these military elements are growing more and more restive at Government control. The American Embassy, including the Military Attaché, does not find reason at the present time to be apprehensive of developments of a critical or grave nature.

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mt. m. f.

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

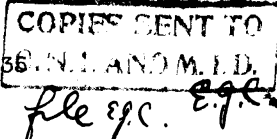
JS

GRAY AND SPECIAL GRAY
TELEGRAM RECEIVED

PEIPING via N.R.



Dated June 1, 1935
Rec'd 2:35 p.m.



Secretary of State
Washington, D.C.



233, June 1, 4 p.m.

(GRAY) Legation's 230, May 31, 4 p.m.

One. General Yu Hsueh Chung, who came to

Peiping from Tientsin yesterday afternoon, has given out an interview in which he bitterly assails the Japanese military for their conduct of the past few days which he attributes to their desire to force his resignation and the removal of provincial government to Paoting as well as to remove all other officials who are opposed to Japanese ambitions in North China.

Two. Removal of provincial headquarters to Paoting is said to be proceeding Possibility of Huang Fu's return to Peiping would be greatly enhanced by Yu Hsueh Chung's resignation or even by removal of headquarters to Paoting. (END GRAY)

It is believed Japanese desire Huang Fu's return here.

Three. From a reliable Government source it is confirmed that Japanese made no actual demands but they let it be known that they desired, (1) immediate

removal

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FILED
JUN 4 - 1935

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-2-

From Peiping June 1, #233

to Pao-tung
removal of provincial government ~~(#) ting~~; (2) dissolution of Peiping and Tientsin Kuomintang and abolition of all other political organizations in North China; (3) removal of 3rd regiment of gendarmes from Tientsin and similar organizations from Peiping; (4) dismissal of Tientsin Mayor and Chief of Bureau of Public Safety there and substitution of officials friendly to Japanese

Four. A responsible and highly placed Chinese military official is authority for the statement that the Japanese intend to bring two regiments into the demilitarized zone on or before June 11, the movement being in the nature of a notice to Ambassador Ariyoshi, who will arrive in China June 12, that the Kwangtung military and not the Japanese Foreign Office are responsible for affairs in North China.

Five. Still another reliable Chinese source states that the situation is being shaped for starting a drive for the recognition of Manchukuo by China after the arrival of Ambassador Ariyoshi and the establishment of air mail service between China and Manchukuo.

Six. It is hoped situation will be relieved at least temporarily by removal of provincial government to Pao-tung and changes in present government personnel, some of whom Japanese have long disliked.

Repeated to Legation at Nanking and Tokyo. By mail to Tientsin.

FOR THE MINISTER

LOCKHART

#--apparent omission
KLP

js

SPECIAL GRAY

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

TELEGRAM RECEIVED

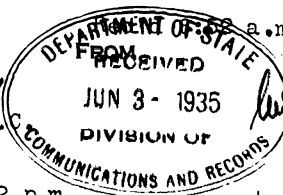
PEIPING via N.R.

Dated June 2, 1935

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Secretary of State,

Washington, D.C.



Division of
FAR EASTERN AFFAIRS

JUN 3 - 1935

Department of State

236, June 2, 2 p.m.

Legation's 233, June 1, 4 p.m. / paragraph three.

From a responsible foreigner in the confidence of Chinese officials it is confirmed today that Chiang Kai-shek has telegraphed Ho Ying Chin ordering immediate disbandment 3rd gendarmerie with headquarters at Tientsin. Some of these form bodyguard for Ho at Peiping. It is also learned that following leaders of the Tangpu have precipitately fled from this area: Chen ~~Chuan~~ ^{Hsueh} Chuan, Chen Hai Hsien, Chen Tzu Ming (said to be the man responsible for the assassinations in Japanese concession) and Tsao Kwang Wu. Same authority states one train containing archives and part of personnel provincial government left Tientsin yesterday for Paoing and that another train will leave today. This has not yet been confirmed. It is also stated that Nanking authorities instructed Ho Ying Chen to request Yu Hsueh Chung's resignation but that Yu has refused to resign. Reported but not confirmed that Yu is leaving immediately for Hankow to consult Chang Hsueh Liang and possibly Chiang Kai-shek,

Repeated to Nanking and Tokyo

FOR THE MINISTER

CIB

LOCKHART

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JUN 4 - 1935

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

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TELEGRAM RECEIVED

Special Gray

D

1-1220

Peiping, via N. R.,
FROM

Dated June 3 1935,

Rec'd 10:30 A. M.

Secretary of State, JUN 3 - 1935

Washington, DIVISION OF

COMMUNICATIONS AND RECORDS

Division of
FAR EASTERN AFFAIRS

JUN 3 - 1935

Department of State

241, June 3, 5 p. m.

Legation's 233, June 1, 4 p. m., paragraph four.
is

One. Inasmuch as it now learned that a large contingent of Japanese troops destined for the Tientsin garrison are expected to land at Chinwangtao on or about June 12 to replace (repeat replace) a similar number whose term of duty on that station has expired it is possible that the Chinese military official referred to has confused reports of a fresh invasion with this movement which is a normal replacement and occurs every Spring.

Two. The two trains of archives and personnel of the Provincial headquarters, referred to in the Legation's 236, June 2, 2 p. m. proceeded to Paoting but Yu Hsueh Chung is believed to be still in Tientsin.

Three. The situation has been partially ameliorated through the Chinese action as set forth in the Legation's 236, June 2, 2 p. m. but there still remain differences which may lead to further confusion.

Repeated to Nanking and Tokyo.

For the Minister

LOCKHART.

793.94/6999

FILED

JUN 5 - 1935

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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
June 6, 1935.

MMH:
MMH:

To note Shanghai's despatch
No. 10049 of May 10, 1935, which
briefly describes an enclosed
translation of a proposal alleged
to have been made by the Japanese
to China with a view to effecting
a rapprochement.

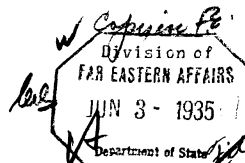
No action required.

EW/VDM

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

No. 10,049

Confidential.



AMERICAN CONSULAR SERVICE.

American Consulate General,
Shanghai, China, May 10, 1935.

Subject: Sino-Japanese Rapprochement.

THE HONORABLE

THE SECRETARY OF STATE,
WASHINGTON.

Sir:

With reference to my telegrams Nos. 81 and 97

of February 21, 3 p.m., and March 1, 6 p.m., respectively,

regarding terms allegedly proposed by the Japanese as
a basis for a Sino-Japanese rapprochement, I have the
honor to report that Mr. Pierre Alfonsi, accompanied by
Mr. Bro, turned over to this Consulate General a mem-
orandum in Chinese, a translation of which is enclosed,
claiming that it was copied from a protocol signed by
representatives of China, Japan and "Manchukuo" sometime
in February. Although this office has no confidence
whatsoever in the informants and considers them quite
capable of attempting deception for political or other
purposes, it believes it desirable nevertheless to report
both the content of the memorandum and the manner of its
coming to the Consulate General.

It will be observed that, according to the points
listed in the first enclosure, Japan would agree to
guarantee the territorial integrity of China and aid the

present

RECEIVED
DEPARTMENT OF STATE

ASSISTANT SECRETARY
OF STATE

11 21 AM
JUN 11 1935
DIVISION OF
COMMUNICATIONS
AND RECORDS

For Distribution Check		Yes	No
Mr. G			
Mr. B			
Mr. C			
Mr. D			
Mr. E			
Mr. F			
Mr. G			
Mr. H			
Mr. I			
Mr. J			
Mr. K			
Mr. L			
Mr. M			
Mr. N			
Mr. O			
Mr. P			
Mr. Q			
Mr. R			
Mr. S			
Mr. T			
Mr. U			
Mr. V			
Mr. W			
Mr. X			
Mr. Y			
Mr. Z			

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JUN 17 1935

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-2-

present Government to suppress its enemies in exchange for a free hand in carrying out her political, military and economic program in China, which would involve her assuming responsibility for keeping the peace in Eastern Asia without reference to Europe, the League of Nations or the United States, and forming an economic bloc comprising Japan, China and "Manchukuo". Japan furthermore would deal directly with China on political and military matters without regard to treaty restrictions. She also expresses a desire to exchange ambassadors with China, and have the latter establish appropriate relations with "Manchukuo" and evidence her sincerity by creating a permanent neutral zone between Chinese and "Manchukuoan" territory.

The nature of the foregoing provisions, particularly those referring specifically to Europe, the League of Nations and the United States, leads one to think that they may have been framed for dissemination for political purposes by violently anti-Japanese elements in this part of China. It is quite possible that the memorandum was fabricated on the basis of rumors and articles in the press that were current in Shanghai about two months ago. Mr. Alfonsi on the other hand claims that it is a copy taken from the protocol by a member of the Secretariat of the Executive Yuan who disapproves of the agreement and is associated with a political group that subscribes to similar views.

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

-3-

A memorandum regarding the visit of Messrs. Alfonsi
and Bro to the Consulate General is submitted as
2/ enclosure No. 2 to this despatch.

Respectfully yours,

Edwin S. Cunningham
Edwin S. Cunningham,
American Consul General.

✓
2 Enclosures:

- 1/- Translation of memorandum re
China, Japan and "Manchukuo"
agreement.

800
MBD MB

In Quintuplicate

Copy to Legation with
copy of Chinese text.

Copy to Office of Legation, Nanking.

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

Enclosure No. 1 to despatch No. 10,049 of Edwin S. Cunningham,
American Consul General at Shanghai, China, dated May 10,
1935, on the subject: "Sino-Japanese Rapprochement".

Copy of Translation.

1. That Japan maintain the complete territorial integrity of China and aid China in exterminating communism and eradicating reactionary movements.
2. To maintain normal diplomatic relations between China and Japan.
3. That according to Japan's viewpoint, it shall assume the responsibility of carrying out political, military, economic and other objects in China.
4. That Japan is most desirous of exchanging ambassadors and advisers with China and that China's relations should be on a basis of equality with those of Manchukuo. At the same time China should acknowledge the serious nature of the responsibility assumed by Japan in protecting the peace of Eastern Asia and that China cannot depend upon Europe, the United States, and the League of Nations.
5. That Japan desires to enter into direct negotiations with China in regard to political questions in the Far East and does not desire to be subject to the kind of restrictions imposed by the Nine Power and other Treaties.
6. That in regard to the military problems of the Far East, Japan is also not desirous that China depend upon the League of Nations, Europe, the United States, and other countries which may interfere with Japan or give counsel (to China).
7. That Japan for the purpose of achieving an economic entente among China, Japan and Manchukuo shall form a common beneficent kind of economic combination.
8. That if China is sincere in accepting the above requests of Japan, China should immediately demarcate North China as a perpetual defense zone between China and Manchukuo.
9. That a reply to the above treaty shall be made before March 27th, and that it shall go into effect two months after the date thereof.

May 6, 1935,
Trans. by EFD.

Copied by MB SL
Compared with

DECLASSIFIED: E.O. 11652, 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. 0049 of Edwin S. Cunningham,
American Consul General at Shanghai, China, dated May 10,
1935, on the subject: "Sino-Japanese Rapprochement."

Confidential.

May 10, 1935.

Memorandum.

Subject: Alleged Agreement Between
Nanking, Japan and "Manchukuo".

A young Russian born in China, who calls himself Maurice (or Morris) Bro, called at the office on the first day of May stating that a French citizen by the name of Alfonsi had information of importance which he wished to turn over to the American authorities. Mr. Bro professed ignorance of Mr. Alfonsi's object in selecting the American Consulate General in this connection, but vouchsafed the opinion that the latter was not on good terms with his own consular officials.

It was ascertained later that the person in question is Mr. Pierre Alfonsi, formerly Chief of Police in the French Concession, who according to report was implicated in opium scandals a few years ago, was deprived of his position, returned to France provided with ample funds, subsequently lost his money and returned to Shanghai, where he is now living in straitened circumstances and apparently engaging in political activities that are directed against the existing Government.

Mr. Bro gives the impression that he is highly unreliable and that he will do almost anything for money. According to his own statement he acted as special agent for the Japanese during the first part of 1932 and still has entree to the Japanese Intelligence Office. A confidential report on him furnished by the Shanghai Municipal Police indicates that he has had some connection with underworld characters and that his faithlessness has involved him in difficulties with them on several occasions.

Mr. Bro returned a few days later bringing Mr. Alfonsi with him. The latter refrained from giving his name and spoke only in French. He permitted a language officer on the staff of this office to examine a document in Chinese, which he claimed had been received from a member of the Secretariat of the Executive Yuan and was a copy of an agreement that had been signed sometime in February by representatives of China, Japan and "Manchukuo". He left a copy written in indelible pencil for the use of this office.

Hope

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

-2-

Hope of receiving money could not have been the object of either of these men in bringing this information to the Consulate General. Bro is apparently a notorious busybody and would no doubt be glad to take part in a matter of this kind merely to be able to say that he is known to the office.

MBD

MB *bl*

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

COPIES SENT TO
C. N. ... D. ...

TELEGRAM RECEIVED

REP



GRAY & SPECIAL GRAY

Peiping via N. R.

Dated June 4, 1935

Rec'd 1:25 p. m.

Secretary of State,

Washington.

242, June 4, 5 p. m. (GRAY)

Legation's 236, June 2, 2 p. m.

One. Yu Hsueh Chung left Tientsin yesterday afternoon for Paoting.

Two. Hankow Consulate telegraphs Chiang Kai Shek expected there end of week and that Chang Hsueh Liang flew to Chengtu yesterday. (END GRAY)

Three. Despatch from Tsinanfu Consulate, received today, states Japanese Consul General there pressing for Mayor's dismissal and the removal of Chang Hung Lieh, Commissioner of Reconstruction. Han Fu Chu is stated to be much concerned over these developments and it is disposed to believe that they have some relation to the general North China ambitions of the Japanese.

(GRAY) Four. Several changes in personnel of political organizations here have already occurred and it is predicted more are to follow.

Repeated to Nanking and Tokyo.

FOR THE MINISTER

KLP-WSB

LOCKHART

793.94/7001

FILED

JUN 5 - 1935

793.94

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

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

TELEGRAM RECEIVED

RB



SPECIAL GRAY

Nanking via N. R.

Dated June 4, 1935

Rec'd 8:45 p. m.

Secretary of State

Washington.

136, June 4, noon

Division of
FAR EASTERN AFFAIRS

JUN 5 - 1935

Department of State

Copy sent to Moscow June 25

One. A foreign adviser to the Chinese Government having close connections with high officials including Chiang Kai Shek informs me that Chinese Government leaders view the current Japanese affair in North China as being primarily directed against Chiang because, in spite of his conciliatory pronouncements concerning a Sino-Japanese rapprochement, the Japanese consider him the greatest individual obstacle to the accomplishment of their aims and have marked him down as a special object for attack. This view is borne out by various evidences of bitterness against Chiang on the part of the Japanese military as seen in press statements issued by Takahashi and others and by remarks made in conversation by Suma of Japanese Embassy. The immediate objects of the Japanese, in the informant's opinion, are those which Rengo's and other reports have contained, namely, the elimination from North China of Yu Hsueh Chung, Ho Yin Ching, Tangpu representatives and all official or semiofficial

793.94/7002

FILED

JUN 11 - 1935

F/G

793.94

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

RB

2-136, June 4, noon from Nanking

semiofficial elements in North China which the Japanese believe to be actively inimical to their interests in that region.

Two. The administrative Vice Minister of Foreign Affairs stated yesterday that he was sure an amicable settlement of the North China situation would be achieved and other officials of the Ministry have made similar statements. These statements indicate, as exemplified in the hurried ^{steps} ~~to~~ to remove the Hopei Provincial Government from Tientsin to Paotingfu, that the Chinese are complying with the 'advice' which the Japanese military in North China have so harshly tendered them.

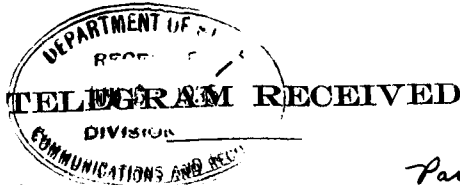
FOR THE MINISTER

ATCHESON

WSB

~~#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



FS
This telegram must be FROM
closely paraphrased be-
fore being communicated
to anyone. (A)

Tokyo

Dated June 5, 1935

Secretary of State,
Washington.

119, June 5, 8 p.m.

Embassy's 115, May 31, 7 p.m., and 117, June 1,
6 p.m.

Rec'd 10:20 a.m.

Division of
FAR EASTERN AFFAIRS

JUN 5 - 1935

Department of State

6986

6989

One. The North China situation continues to be featured in the Japanese press but with less emphasis. The Foreign Minister is quoted in the press as attributing the difficulties in North China to local Chinese loaders specifically exonerating Chiang Kai Shek and favoring the localization of the issue. The Premier and the Foreign Minister in separate audiences with the Emperor are reported to have counselled moderation. Subsequent War Department releases indicate loss intransigence than first statements although the Embassy has been unable to learn that the army has reported to the Emperor in audience. The army usually reports direct and not through the Premier.

Two. From what can be learned here particularly
from

793.94/7003

JUN 7 - 1935

FILED

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

FS 2-No. 119, June 5, 8 p.m. from Tokyo

from Japanese army officers by the Military Attache the points upon which the Japanese army will insist are the replacement of Yu Hsueh Chung and his entourage, the withdrawal of Nationalists troops from North China and the suppression of organized anti-Japanese propaganda. The Japanese apparently expect the Chinese reply to be decided at a forthcoming conference of Chinese leaders at Hankow.

Repeated to Peiping.

HPD

GREW

DECLASSIFIED: E.O. 11652, 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. 119) of June 5, 1935, from the American Ambassador at Tokyo, reads substantially as follows:

Japanese newspapers continue to feature the situation in North China, but give it less prominence. The press quotes Mr. Hirota as stating that the difficulties in that area are due to certain Chinese leaders, not to Chiang Kai Shek, and that he is in favor of treating the issue as local. It is reported that the Premier and the Minister for Foreign Affairs, in separate audiences with the Emperor have advised a moderate course of action. The attitude of the War Department, as indicated by releases from that Department, seems to have moderated. However, as far as ascertained the Army has not made a report directly to the Emperor, although it is empowered to do so without reference to the civil authorities.

Information available to the Embassy, including that obtained from army officers by the military attaché, indicates that the Japanese military will insist upon the replacement of Yu Hsueh Chung together with his followers, the elimination of troops of the Central Government from North China, and the suppression of organized propaganda directed against the Japanese. It appears that a reply from the Chinese is expected by the Japanese to be decided on at a conference to be held at Hankow by Chinese leaders.

WTT
 FE:WTT/DLY
 6-5-35

FE

~m m, /

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

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UNITED STATES

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TELEGRAM RECEIVED

REP

1-1836



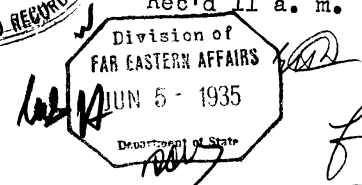
GRAY

Nanking via N. R.

Dated June 5, 1935

Rec'd 11 a. m.

Secretary of State,
Washington.



file
Eg.C.

139, June 5, 10 a. m.

My 136, June 4, noon. / 7002

793.94

It is reported that executive yuan has approved:

The dismissal of Chiang Hsiao Hsien from commandership of third group of Peiping gendarmerie; appointment of Wang Ko Min as new Mayor of Tientsin (Wang is senior councilor of the Peiping Political Affairs Readjustment Committee and member of former Anfu party who was Minister of Finance in 1924); and the appointment of Shang Chen, an adherent of Yenhsi Shan and chairman of Hopei in 1928, to be Peiping-Tientsin garrison commander. The same report states other officials ~~will be changed~~ *will be changed* *Sp*, that the Tangpu offices in Tientsin area are being removed to Paotingfu with the Provincial Government, and that official and semi-official organizations to which the Japanese object will be disbanded under guise of financial necessity. It is also reported that Chiang Kai Shek, Wang Ching Wei, Chang Hsueh Liang,

Yu

793.94/7004

FILED

JUN 7 - 1935

F/G

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

REP

2-#139, From Nanking, June 5, 10 a.m.

Yu Hsueh Chung and other leaders will meet in Hankow
on June 10th to discuss North China situation and attempt
to formulate a definite future policy in respect to that
region. Copy to Hankow by mail.

FOR THE MINISTER

ATCHESON

CSB

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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TELEGRAM RECEIVED

REP

1-1236

FROM

GRAY & SPECIAL GRAY

Peiping via N. R.

Dated June 5, 1935

Rec'd 11:10 a. m.



Secretary of State,

Washington.

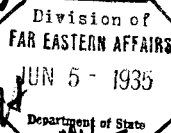
243, June 5, 2 p. m.

(GRAY) One. Resignation of Director of Military

Training under Peiping Military Council and of the commander of the third gendarmerie Colonel Chiang Hsiao Hsien, who is a nephew of Chiang Kai Shek have been accepted. Mayor Chang Ting-ao of Tientsin has been relieved of office. Wang Keh Min, a close friend of Wang Fu and said to be choice of Japanese has been appointed to succeed Chang Ting-ao. Other political reorganizations are being effected.

Two. Removal of provincial headquarters to Paoting now practically completed. Believed that Yu Hsueh Chung's proposed change or dismissal or at least transfer to another province will shortly occur. Third gendarmerie and Yu Hsueh Chung's troops are being removed to Paoting and Tientsin has been raised to a special municipality.

Three.



793.94/7005.

FILED
JUN 8 - 1935

793.94

REP

2-#243, From Peiping, June 5, 2 p.m.

Three. The expected return of Chiang Kai Shek to Hankow is believed to portend important conferences and decisions of importance bearing on future Sino-Japanese relations in North China. (END GRAY)

Five. Sakai and Takahashi called again yesterday on Ho Ying Chin at which time it is said questions of murders in Japanese concession at Tientsin and activities of Lun Yung Chintz Hwa were further discussed and inquiries made as to extent which Chinese have responded to recent "warning". Inasmuch as there has already been a very substantial response as indicated in the Legation's telegraphic reports of last few days and by paragraphs one and two of this telegram it is assumed that yesterday's conference was satisfactory especially since there has been no report to the contrary thus far. Surface indications at least denote that the situation for the time being is relieved. There are still occasional flights of Japanese airplanes over Peiping.

Repeated to Nanking, Shanghai and Tokyo.

FOR THE MINISTER

LOCKHART

KLP-WSB

DECLASSIFIED: E.O. 11652, 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

SPECIAL GRAY



FROM Nanking via N. R.

Dated June 6, 1935

Rec'd 9:28 p.m.

Secretary of State,
Washington.

140, June 6, 10 a.m.

My 136, June 4, noon. / 7002

One. There is a growing belief here that one phase of the Japanese demonstration in North China will definitely be a Japanese movement directed against Chiang Kai Shek. Uncongenial evidence is found in the removal of his nephew, Chiang Hsiao Hsien, mentioned in my 139, June 5, 10 a.m., and among Japanese underground activities it is reliably reported that a successful effort has been made to effect the retirement from Chiang's service of his personal American pilot, Harry Smith, and that a determined attempt is being pursued to work the elimination of W. H. Donald from his post of confidential adviser to Chang Hsueh Liang, Chiang Kai Shek and Madame Chiang.

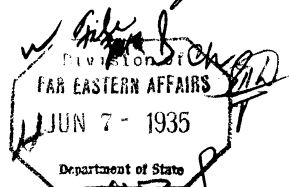
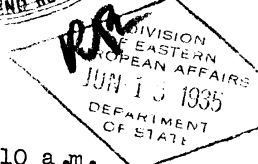
Two. Opinion among observers in Nanking generally inclined to the belief that the Japanese talk of extending the demilitarized zone to embrace the Peiping-Tientsin area was in the nature of threatening propaganda and that

if

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Copy sent to Moscow
June 25



793.94

793.94/7006

FILED
JUN 13
11

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

FS 2-No. 140, June 6, 10 a.m. from Nanking

if the Chinese are compliant with the wishes of the Japanese military, as seems now to be the case, there is little danger of Japanese occupation of further Chinese territory except possibly in Chahar and Mongolia.

For the Minister

WSB

ATCHESON

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

TELEGRAM RECEIVED

FS

SPECIAL GRAY



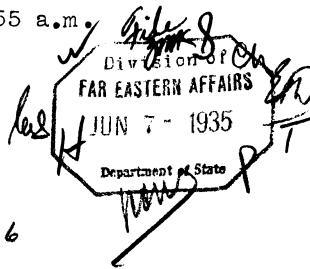
Nanking via N. R.

Dated June 7, 1935

Rec'd 9:55 a.m.

Secretary of State,

Washington.



141, June 7, 10 a.m.

My 140, June 6, 10 a.m. / 7006

One. According to Suma of Japanese Embassy Japan

"has no territorial ambitions at present" in North China, the principal object of Japanese wrath there has been Yu Hsueh Chung "and his people", Yu must "either get out or we will drive him out", and there must be a "clean sweep" of officials in the North. Suma states that his visits to the Foreign Office which have been commented on in the press were not to present demands but to give the Foreign Office "information" concerning the North China situation and Japanese grievances in connection therewith.

Two. With the appointment of Yu to be garrison commander of the Kansu, Szechwan and Shensi borders as a sequel to the other changes effected, and with the consequent impending transfer of his troops which comprise the remaining units in Hopei of the Northeastern armies, it

seems

793.94/7007

JUN 13 1935

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

FS 2-No. 141, June 7, 10 a.m. from Nanking

seems that the Japanese military have accomplished their immediate purposes in North China and that the crisis in that region has therefore now passed.

For the Minister

ATCHESON

HPD

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

TELEGRAM RECEIVED

REP

1-1286

FROM

GRAY

Tientsin via N. R.

Dated June 7, 1935

Rec'd 1:50 p. m.

Secretary of State,
Washington.

June 7, noon.

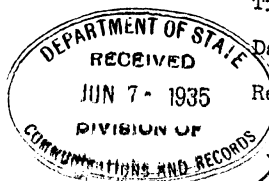
The transfer of Yu Hsueh Chung from his post as
chairman of Hopei Province to that of Bandit Suppression
Commander for the Szechuan, Shansi and Kansu border is
officially confirmed.

CALDWELL

CSB

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O.N.I. *299*

FE



793.94/7008

FILED
JUN 12 1935

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

ADDRESS REPLY TO
THE SECRETARY OF THE NAVY
AND REFER TO INITIALS
AND No.

EF16/P9-2(350607)

NAVY DEPARTMENT

WASHINGTON



DEPARTMENT OF STATE

RECEIVED

JUN 7 - 1935

OFFICE OF THE SECRETARY

7 June 1935



June 15 1935

Sir:
For your information, I am pleased to quote the following
dispatch received by priority radio from the Commander-in-Chief
of the Asiatic Fleet:

793.94
"Received following information, 'Shino Secretary
at the Shanghai Embassy of Japan tells me Japanese
Army leaders in Tokyo will today ask permission direct
from the Japanese Emperor to exercise a free hand in
Northern China. This will mean decisive action if
granted.' Above quoted information from Harris the AP
China correspondent. Have no details of contemplated
action".

The dispatch quoted was received in code.

Respectfully,

Clarence Swanson

The Honorable,

The Secretary of State.

793.94/7009

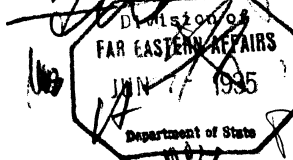
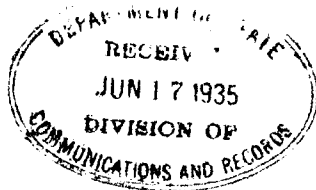
JUN 12

FILED

E/G

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

Op-132/Pc 7 June.



~~MSM~~ ~~EE~~
~~WRP~~
~~RCM~~
~~EHD~~ ~~FE~~

Sir:

For your information, I am pleased to quote the following
dispatch received by priority radio from the Commander-in-Chief
of the Asiatic Fleet:

793.94
"Received following information, 'Shino Secretary
at the Shanghai Embassy of Japan tells me Japanese
Army leaders in Tokyo will today ask permission direct
from the Japanese Emperor to exercise a free hand in
Northern China. This will mean decisive action if
granted.' Above quoted information from Harris the AP
China correspondent. Have no details of contemplated
action".

The dispatch quoted was received in code.

Respectfully,

The Honorable,

The Secretary of State.

FILED
JUN 17 1935

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

In reply refer to
FE 793.94/7009.

June 15 1935

My dear Mr. Secretary:

I acknowledge with thanks the receipt of your letter of June 7, 1935 [EF16/P9-2(350607)], in which there is quoted a message from the Commander-in-Chief of the Asiatic Fleet in regard to certain information obtained at Shanghai from a secretary of the Japanese Embassy.

Your courtesy in making this information available to the Department is appreciated.

Sincerely yours,

The Honorable

Claude A. Swanson,

Secretary of the Navy.

FE:HD/DLY

6-12-35

FE

M. M. K.

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JUN 15 1937

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5
WIA

DECLASSIFIED: E.O. 11652, 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

June 13, 1935

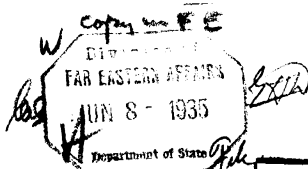
~~MSA~~
~~END~~
MAH

The two brief translations
enclosed with Mukden's
despatch of May 15, 1935
discuss the Japanese Army's
view of the Foreign
Office action of raising
the Legation in China to
the rank of Embassy.
I believe both translations
are worth noting.

zur.

DECLASSIFIED: E.O. 11652, 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. ----



AMERICAN CONSULATE GENERAL

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

Mukden, Manchuria, May 15, 1935.

SUBJECT: ... Transmission of Copy of Despatch on Reported
Clash of Japanese Opinion regarding China Policy.

THE HONORABLE

THE SECRETARY OF STATE

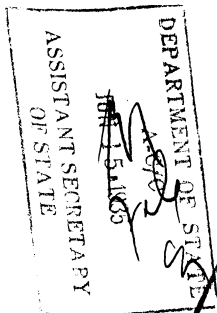
WASHINGTON.

For Distribution-Check			
Grade	M	To field	Yes
For		In U.S.A.	No
Ballantine		O.N.I. M.I.D.	

RECEIVED
DEPARTMENT OF STATE
JUN 7 7 PM '35

I have the honor to enclose herewith a copy of
my despatch No. 98 dated May 14, 1935 to the Legation
at Peiping, China, on the subject: "Reported Clash
of Japanese Opinion regarding China Policy".

793.94/7010



Respectfully yours,

J. W. Ballantine
J. W. Ballantine,
American Consul General.

FILED
JUN 17 1935

Enclosure:

Copy of despatch No. 98
to Legation at Peiping.

800
wyp

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

No. 98.

AMERICAN CONSULATE GENERAL,

Mukden, Manchuria, May 14, 1935.

SUBJECT: Reported Clash of Japanese Opinion
regarding China Policy.

The Honorable

Nelson Trusler Johnson,
American Minister,
Peiping, China.

Sir:

I have the honor to enclose as of interest to
1/2/- the Legation translations made in this office of two
items in today's MANSU NIPPO, Japanese organ published
in Dairen, which purport to be telegrams from special
correspondents in Tokyo of a clash in opinion between
the Foreign Office and the military group in regard to
China policy, with particular reference to the question
of the raising of the Japanese legation to an embassy
and the question of proposing to China the recognition
of "Manchukuo".

Respectfully yours,

JOSEPH W. BALLANTINE

J. W. Ballantine,
American Consul General.

Enclosures:

1/2/- Translations, as stated.

True copy of
the signed orig-
inal.
[Signature]

Five copies to Department by despatch No. --- of May 14, 1935
One copy to Embassy, Tokyo.
One copy to Consulate General, Harbin.
One copy to Consulate, Dairen.
JWB:wyp 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

Enclosure No. 1 to despatch No. 98 of J. W. Bellantine,
American Consul General, Mukden, Manchuria, May 14,
1935 to the Legation at Peiping, China, on the subject:
"Reported Clash of Japanese Opinion regarding China
Policy".

SOURCE: MANSHU NIPPO,
Dairen,
May 14, 1935.

TRANSLATION

REVELATION OF FUNDAMENTAL ARMY AIMS
IN CHINA POLICY

COLONEL KITA OF THE GENERAL STAFF
CALLS AT FOREIGN OFFICE

(Special Telegram, Tokyo, May 12)

The decision of Foreign Minister Hirota to raise the Legation in China to an Embassy seen from a diplomatic point of view is a departure from the traditional policy of concert in favor of independent action. In regard to the appropriateness of the decision and the reasons for this action from the point of view of domestic policies, army quarters particularly the supreme command, have revealed a complete opposition. Now that the policy has been announced abroad, it is almost impossible to withhold action, so that the army is doing nothing more than voicing its opposition and watching developments. The Army regards the present turn of the Kuomintang Government as simulated and places no faith in its having abandoned an anti-Japanese policy, and it therefore believes that for us to assume the initiative at this time and offer our hand will cause the Kuomintang Government to abandon any turn for the better in mid course and take advantage of our softness. On May 11, Colonel Kita, Chief of the China Section of the General Staff, called on Mr. Kuwashima, Chief of the East Asia Bureau of the Foreign Office, and explained the fundamental aims of the Army in the above sense. The fundamental difference between the Foreign Office and Army on China policy is attracting unusual attention as it indicates in short a difference in conception of trends in China and of the Nanking Government.

- - - - -

1

Enclosure No. 2 to despatch No. 98 of J. J. Ballantine,
American Consul General, Mukden, Manchuria, dated May
14, 1935 to the Legation at Peiping, China, on the subject:
"Reported Clash of Japanese Opinion regarding China
Policy".

SOURCE: MANSHU NIPPO,
Dairen,
May 14, 1935.

TRANSLATION

ARMY DISSATISFIED WITH THE RECENT FOREIGN OFFICE
ATTITUDE OF PLACING EXCESSIVE FAITH IN CHINA

(Special Telegram, May 12) - Foreign Minister Hirota has been doing his utmost to adhere to a policy of conciliation with China relying upon the alleged change in Chin's attitude towards Japan and expects to settle all pending questions by diplomatic means. Besides raising the Legation to the grade of an Embassy as a first step he has decided to propose among the first matters to be settled by direct negotiation the question of the recognition of Manchukuo. One section of our country, particularly in army quarters, has no faith such as Mr. Hirota's in Chinese attitude and takes a different view of policy to be followed. It appears to oppose the elevation of the Legation to an Embassy and cannot agree that the proposal for the recognition of Manchukuo is timely or that the method taken is appropriate. The view of the military authorities may be summed up as follows:

1. China's motives in a change towards Japan are not pure and has no sincere desire to develop permanent relations of friendship with Japan. There is no concrete evidence whatever that there is such a change, and it is therefore necessary for us to view coolly China's attitude.
2. The only result of raising the legation to an Embassy will be to increase our diplomatic establishment in China. Since China has been hoping that the powers will raise their legations to embassies, it should be made a gift to China only when her sincerity has been definitely ascertained.
3. To propose the recognition of Manchukuo as the first step to be taken is to place more reliance upon China's attitude than is warranted by the facts. Since Manchukuo's independence is an established fact, China will have to recognize it sooner or later, and there is no necessity of proposing it now. Furthermore if there is any suggestion that something should be given in exchange for such recognition it must be firmly rejected. The only attitude we should adopt is to wait until China's recognition comes naturally.

In case after Minister Hirota proposes recognition China refuses we shall naturally be placed in a very embarrassing position. Therefore if he does propose this in defiance of influential opinion against the step and China refused, we shall see important changes in the structure of our China policy. The development are being watched with interest.

DECLASSIFIED: E.O. 11652, 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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e.g.

SPECIAL GRAY

Dated June 7, 1935

DEPARTMENT OF STATE
RECEIVED
JUN 7 - 1935
DIVISION OF
COMMUNICATIONS AND RECORDS

793.94

793.94/7011

FILMED

7/6

REP

2-#248, From Peiping, June 7, 5 p. m.

concern and fear that an ultimatum may be served on them as a precedent of the Tientsin conference.

Three. A detachment of about 80 Japanese soldiers, carrying light field pieces and machine guns have maneuvered in Chinese city at Tientsin yesterday and stoped at municipal building and at Kuomintang headquarters.

Four. There are now increasing signs that the Japanese program envisages more than the mere dismissal of certain military and political leaders and the capture and punishment of the persons guilty of the Japanese concession murders. The drift at the moment is distinctly in the direction of a broader protest and the next few days may present a clearer picture of the real objective. The situation has shown a marked change in the last 24 hours and there are unconfirmed rumors that Ho Ying Chin is faltering in his support of Chiang Kai Shek.

Five. It is stated on good authority that Cheng Hsiao Hsu, who recently resigned as Premier of Manchukuo, is now in Tientsin.

Six. Japanese military plane flew over Peiping at two o'clock today.

Seven

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

REP

3-#248, From Peiping, June 7, 5 p.m.

Seven. Result of Tientsin military conference will be telegraphed as soon as any reliable information becomes available.

Eight. Have requested Tokyo to telegraph any information obtainable concerning what now seems to be a well planned drive by the Japanese to discredit and oust Chiang Kai Shek and perhaps extend their control over an additional area in China.

Repeated to Nanking and Tokyo.

FOR THE MINISTER

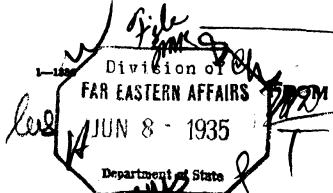
LOCKHART

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

TELEGRAM RECEIVED

REF



COPIES SENT TO
CHIEF OF BUREAU
e.g.c.

FE

SPECIAL GRAY
Shanghai via N. R.
Dated June 7, 1935
Rec'd 2:40 p. m.

Secretary of State,
Washington.

993.94
2:42, June 7, 6 p. m.

STRICTLY CONFIDENTIAL.



Rumors have been heard to the effect that the Japanese are including in their demands of the National Government the recognition of "Manchukuo" and also that the Chinese are apprehensive that the Japanese are going to create an incident at Nanking as a pretext to moving into the Yangtze Valley. The latter has not been confirmed but one source of information attributes rumor of Japanese action in the Yangtze to H. H. Kung.

Repeated to the Legation Peiping and Nanking.

CUNNINGHAM

KLP-CSB

FILED
JUN-12 1935

F/FG.

793.94/7012

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

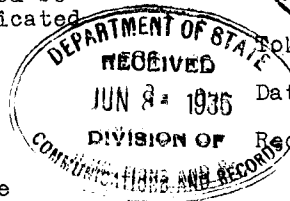
Paraphrase
**SENT TO
O.N.I. AND M.I.D.**

TELEGRAM RECEIVED

RB

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

FROM



Dated June 8, 1935

Rec'd 3:50 a. m.

Secretary of State

Washington.

123, June 8, 10 a. m.

In answer to a telegram from the Legation in Peiping requesting any available information concerning the Japanese attitude toward Chiang Kai Shek, the Embassy has replied as follows:

Strictly confidential. An informant in a position to know said to a member of my staff yesterday that while at first the Foreign Office was inclined to regard the murder of two pro-Japanese Chinese editors in Tientsin as purely local in origin, evidence was now coming to light which might implicate Chiang Kai Shek himself. It appears that there is reason to believe that the notorious Blue Shirt Society according to Japanese information is in some way affiliated with him. This connection is not through the Kuomintang but is, they believe, a personal connection outside of Government circles. Our informant stated that of course convincing proof was difficult to obtain. Asked what the army

people

793.94/7013

FILED
JUN 13 1935

F/G

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

RB

2-123, June 8, 10 a.m. from Tokyo

people thought of the matter, he said that they were the first to get on to the trail. A further inquiry as to who was conducting the investigation elicited the reply that the Japanese consular authorities in China were doing it.

In the opinion of foreign Military Attaches in Tokyo who are in close touch with Japanese army officers, the accusations against Chiang Kai Shek uttered by some Japanese military officers in China do not mean that the Japanese army intends for the present at least to overthrow Chiang Kai Shek and the Central Government at Nanking principally because there would be nothing to fill the vacuum caused by their elimination and the Japanese army needs the cooperation of a Central Government in order to carry out the alterations which they desire in the administration of North China. The Military Attaches believe that the remarks against Chiang are intended as a sort of intimidation designed to frighten him into compliance with the Japanese demands.

GREW

HPD

0 9 1 1

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

(CONFIDENTIAL)

P A R A P H R A S E

A telegram (No. 123) of June 8, 1935, from the American Ambassador at Tokyo, reads substantially as follows:

The following is the text of a telegram sent by this Embassy to the Legation in Peiping in reply to a request from the latter for information in regard to the Japanese attitude toward Chiang Kai Shek:

A member of my staff was informed by a person who is in position to know that the Foreign Office was at first not disposed to regard the murder of the two pro-Japanese journalists in Tientsin as having more than local aspects. However, although definite evidence is lacking, it now begins to appear to the Foreign Office that Chiang Kai Shek himself may be involved, and that he has some connection with the Blue Shirt Society. The Foreign Office is informed that this connection is personal, and not through the Nationalist party or government.

According to this informant, the Japanese military authorities were the first to unearth the alleged connection, but the consular authorities are conducting the investigation.

Foreign military attachés in Tokyo are led to believe, through their contacts with Japanese officers, that the Japanese army has no immediate intention of overthrowing Chiang Kai Shek and the Nanking government. The lack of a
central

DECLASSIFIED: E.O. 11652, 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 -

central government in China would render it difficult for the Japanese army to carry out its aim in North China of an administrative reorganization. The foreign military attachés believe that the Japanese army is attempting to frighten Chiang into compliance with its demands by the accusations directed against him.

793.94/7013.

WTT
FE:WTT/DLY

FE
m, m, d

(CONFIDENTIAL)

P A R A P H R A S E

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

- 2 -

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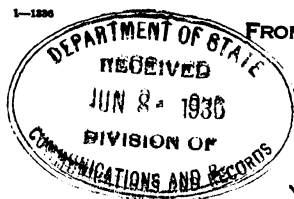
793.94/7013.

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

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TELEGRAM RECEIVED

FS



FROM GRAY

Peiping via N.R.

Dated June 8, 1935

Secretary of State,
Washington.

249, June 8, 10 a.m.

Paragraph one of Legation's 241, June 3, 5 p.m.
Japanese have ~~now~~ announced that equal num-

ber of troops from Tientsin garrison will not (repeat
not) be returned to Japan for the present. This is
contrary to usual practice and results in substantial
strengthening of Tientsin garrison.

Repeated to Nanking and Tokyo.

For the Minister

CSB

LOCKHART

793.94/7014

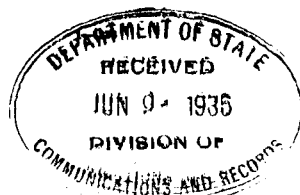
FILED
JUN 13 1935

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

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TELEGRAM RECEIVED

FS



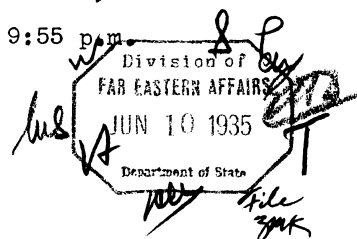
FROM GRAY

Peiping via N. R.

Dated June 8, 1935

Rec'd 9:55 p.m.

Secretary of State,
Washington.



252, June 8, 5 p.m.

One. Following interview by General Isogai,
Military Attache to the Japanese Embassy in China, was
given to Rengo and published today on North China
situation:

"This affair was brought about by the intrigues
designed to bring about a dictatorship. We are not
making an issue of the removal of a few provincial
officials, that is a small question. We want to know
if General Chiang is sincere enough in his desire for
peace in the Far East to abandon the policies he has
pursued since the day he left Canton and to seek a
solution of all Sino-Japanese problems, including that
of Manchukuo once and for all by solution of the Man-
chukuo problem. It is natural that I should mean
China's recognition of the new Empire but we are not
interested in the fate of General Chiang, what we seek
is a government capable of cooperating with Japan in
maintaining

795.94/7015

1 RECD
JUN 13 1935

F/G

FS 2-No. 152, June 3, 5 p.m. from Peiping

maintaining the peace of the Far East. It does not seem to us that General Chiang is prepared to lead one, consequently we find it necessary to carry out our objective even if it applies only to North China. We are fully prepared to do this."

Two. No dependable information available regarding military conference at Tientsin but unconfirmed reports are in circulation that demarcation in the form of an ultimatum may shortly be communicated.

Three. Local postal authorities under instruction have placed large stocks of stamps in foreign banks and have taken other precautions against postal losses.

Four. Several of the more important members of the military conference sitting at Tientsin are said to be coming to Peiping late this afternoon for the purpose of interviewing Ho Ying Chin.

Five. General Shang Chen left this afternoon for Tientsin to assume his new ^{post}~~post~~ as garrison commander. *SJH*

Six. Hankow Consulate telegraphs today that more recent information indicates Chiang Kai Shek will come to Hankow about July 1 en route to Kuling.

Seven. Mukden Consulate telegraphs today Japanese news service announces that Doihara leaving for Peiping today

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

FS 3-No. 152, June 8, 5 p.m. from Peiping

today to "impress upon China that Kwang army is not trifling and that if demands are not complied with extreme measures will be taken".

RR

JOHNSON

(*) Apparent omission

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

JS

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TELEGRAM RECEIVED
PEIPING via N.R.

SPECIAL GRAY AND GRAY

DEPARTMENT OF STATE
RECEIVED
JUN 10 1935
RECEIVED
JUN 10 1935
RECEIVED
JUN 10 1935

Secretary of State, DIVISION OF

Washington, D.C. DIVISIONS AND RECORDS

253, June 9, 5 p.m.

793.94 Chinese informant mentioned in Legation's despatch 3275 of January 16, 1935, stated today in conversation that he does not anticipate serious new developments in North China for the reason that the Chinese are complying with the Japanese demands; that he does not believe the Japanese military will occupy North China as such action will be peremptory; that the Japanese military does not yet know what they want; that their action may be directed towards ousting Chiang Kai Shek but that they will fail in this as Chiang will merely remain in West China; that their anticipation of a rebellion by the Southwest will not (repeat not) be realized; that recent Japanese action has been due in part to a desire to show their might to the Chinese by taking control of North China because the Japanese military are galled by knowledge that the Chinese despise the Japanese; and that he expects Ho Ying Chin to remain in North China and Huang Fu to remain in Central China as the latter's political importance is at low ebb.

Two. Canton Consulate reported June 8, 3 p.m.,

that

793.94/7016

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JUN 13 1935

F/G

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

-2-
Peiping, June 9, #253.

that it had been most reliably informed that Hu Han Min had arranged to sail for Europe via Singapore late in June and that Nanking control of Kwangtung and Kwangsi was essential locally not later than November, a view which seems to the Legation somewhat too optimistic at the present time.

Three. Local developments since last report have been meagre. Isogai and Sakai called on Ho Ying Chin this morning. According to an American press correspondent, the Japanese Assistant Military Attache expressed satisfaction over the interview as well as over Ho's order for abolition of secret societies opposed to Japan and of political training institute. The Legation hopes to obtain more definite information with regard to this interview soon.

Repeated to Tokyo and Nanking.

JOHNSON

JS

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TELEGRAM RECEIVED

Rb

SPECIAL GRAY

Shanghai via N. R.

Dated June 6, 1935

Rec'd June 7, 8:25 p.m.

Secretary of State

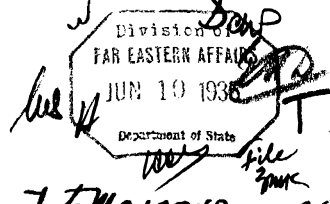
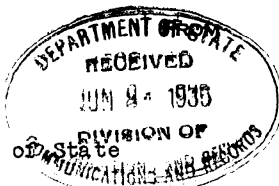
Washington.

285, June 6, noon.

STRICTLY CONFIDENTIAL.

A Japanese long known to the Legation for frankness

and veracity, who is on good terms both with the Japanese Military and Japanese diplomats in China, has informed a member of my staff as follows: The immediate purpose of the Japanese military is to obtain substantial political control over Hopei Province by obtaining, (1) removal of all troops of Chiang Kai Shek and of Chang Hsueh Liang to positions south of at least Paotingfu (while some Japanese military want them sent south of the Yellow River); (2) removal of Koumintang branches; (3) removal of Yu Hsueh Chung from provincial chairmanship; (4) appointment of a new mayor at Tientsin and (5) transfer of Provincial capital to Paotingfu. These developments in Hopei will also give the Japanese military preponderant influence in Shantung Province and will make it unnecessary for them to bother about Chahar and Suiyuan. The real object to the Japanese military



Copy sent to Moscow June 25

793.94/7017

JUN 3 1935

F/G

RB

2-285, June 6, noon from Shanghai

military is to ~~estimate~~ ^{eliminate} Chiang Kai Shek as a potential menace to Japanese interests; and the Japanese hope that his loss of prestige through capitulation to Japanese demands with regard to North China, together with the effects of rebellion by the southwest which the Japanese military are anticipating, will force Chiang out of the picture. The informant views the present situation as being as serious as the situation was in 1931 because today the attitude of the Japanese military toward Chiang Kai Shek is the same as it was then toward Chang Hsueh Liang.

This informant anticipates that Shang Chen will be put in charge of police forces in the area after demilitarization, that Ho Ying Chin may remain in temporary direction of the situation now in the National Government, and that Huang Fu is politically finished. He regards Chiang as having three courses of action, (one) to remain in West China, adopt communism and with Russian assistance maintain himself there; (two) to fight Japan and (three) to capitulate to Japanese demands. The possibility that he may fight Japan is strengthened in the informant's opinion by the possibility that T V Soong who is anti Japanese and ambitious, may give money to Yu Hsueh Chung to cause the latter to resist the Japanese.

RB

3-285, June 6, noon from Shanghai

the Japanese, a course which Yu might be headstrong enough to follow. Capitulation to Japanese demands will so discredit Chiang that he will be forced out of office.

I am inclined to take the view that elimination of Chiang is now the purpose of the Japanese military and the Japanese policy in China, a purpose which was previously held only by an important section of them. This view is supported by statements of Japanese military to the press in which they blame Chiang for the present situation. (The Japanese military attache Isogai informed the press yesterday that Chiang is to blame for the situation). This opinion is also supported by a statement of Suma Japanese diplomat who is of the military party. During a tirade against Chiang Suma told a member of my staff that Chiang is to blame for the present difficulties and that there is no hope for smoothing Japanese relations as long as Chiang is in power.

As for the (?) Japanese military that their ambition will be assisted by rebellion in the Southwest, where Japanese military have been intriguing for some time, I am inclined to believe that they will be disappointed unless Chiang's present strength in area adjacent to

Kwangtung

REP

CORRECTED 4TH PAGE

4-285, June 6, noon from Shanghai.

Kwangtung and Kwangsi is diminished as a result of entanglements elsewhere.

According to my informant, the Japanese might chose the present time for demands respecting North China because they saw that Hirota's policy of rapprochement was diverging too greatly from the military's China policy. They decided that delay might make it more difficult for them to take over complete direction of Japanese policy in China. (Suma recently stated that, although since the (#) he has been working for the rapprochement, neither he nor any other Japanese had any belief in the efficacy of such efforts). In this connection I find interesting the statement of my informant to the effect that the Japanese Military Attache left Shanghai for Peiping yesterday for the primary purpose of being absent when Ariyoshi presents credentials as ambassador. My informant and also Japanese diplomats in Nanking believe that Ariyoshi will probably arrive within a few weeks. Suma hints that he himself will be transferred to the United States in the very near future, and I feel that these two developments may be a part of some sort of compromise within the Japanese Foreign Office, not unlike the compromise which authorizes the removal of Ariyoshi

from

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

REP

5-285, June 6, noon from Shanghai.

from his post as Foreign Office spokesman.

Repeated to Peiping.

By mail to Nanking Legation and Tokyo Embassy.

FOR THE MINISTER

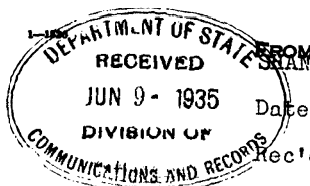
CUNNINGHAM

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

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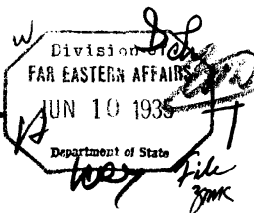
SPECIAL GRAY

FROM SHANGHAI

JUN 9 - 1935

Dated June 8, 1935

Rec'd 4:22 p.m.



Secretary of State,

Washington, D C.

296, June 8, 2 p.m.

Two prominent bankers close to Dr. Kung express themselves as deeply concerned over developments in North China and point out that the especially discouraging feature of the situation is that they do not know what it is the Japanese want nor how far they intend to go at the present time. Repeated to Legations Nanking and Peiping.

CUNNINGHAM

CSB

793.94/7018

FILED
JUN 13 1935

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

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TELEGRAM RECEIVED

FS

1-1286

SPECIAL GRAY
FROM

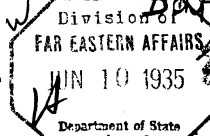
Nanking via N. R.

Dated June 8, 1935

Rec'd 5:07 p.m.



Secretary of State
Washington.



143, June 8, noon.

As a result intense renewed belligerence of

Japanese military spokesman at a time when the Chinese have apparently undertaken to meet the Japanese army's wishes and the Japanese Embassy has intimated that the crisis is over, grave fears are now felt here in official circles that the Japanese formulated their demands in the expectation that the Chinese would not comply, thus giving an excuse for direct action by troops, and that either the recognition of "Manchukuo" or the extension of the demilitarized zone or both are the ulterior aims of the Japanese forces. (?) one explanation of the new threats which is reasonable, in view of the curious dualism in Japanese policy as expressed by the divergence between acts of the Foreign Office and those of the army, is that Japanese army leaders in North China, offended at complaints of the Chinese Ambassador in Tokyo concerning alleged "personal attacks" by Japanese officers upon

Chiang

793.94/7019

FILED

JUN 13 1935

F/G

793.94

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

FS 2-No. 143, June 8, noon from Nanking

Chiang Kai Shek, are now furious with the Foreign Office because of Hirota's subsequent conciliatory references to Chiang and are determined to exhibit forcefully to the Foreign Office their independence of any civil branch of the government.

FOR THE MINISTER

KLP:HSS

ALCHESON

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

of paraphrase
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gmk

TELEGRAM RECEIVED

RR

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

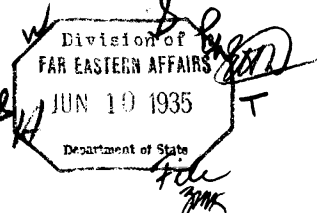
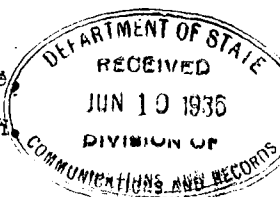
FROM

Tokio

Dated June 10, 1935.

Received 7:47 am

Secretary of State
Washington



125, June 10, 5 p. m.

Embassy's 123, June 8, 10 a. m., and previous in regard to crisis in North China.

The Embassy has been endeavoring to confirm newspaper reports to the effect that on June 9 the Japanese army delivered to General Ho Ying Chin an "ultimatum" requiring an answer by midnight of June 12 but both Foreign Office and War Office state that they have not yet received official reports. Foreign Office spokesman states however that the demands cannot constitute an ultimatum as an ultimatum requires a threat of war and Japan has not decided to declare war in the event of the refusal of the Chinese to accede to the Japanese demands.

Repeated to Peiping.

WSB

GREW

793.94/7020

F.
FILED
JUN 13 1935

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)

P A R A P H R A S E

A telegram (No. 125) of June 10, 1935, from the American Ambassador at Tokyo, reads substantially as follows:

Both the Foreign Office and War Department state that no official reports have been received in regard to the "ultimatum" requiring an answer by midnight of June 12, reported by the press as having been delivered on June 9 to General Ho Ying Chin by the Japanese army.

Mr. Amano, the Foreign Office spokesman, declared that "ultimatum" is a misnomer as this term implies a threat of war. He stated that Japan has made no decision to declare war in case the Japanese demands are not met by the Chinese.

793.94/7020

WTT
FE:WTT/DLY
6-11-35

FE
m. m. h.

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

(CONFIDENTIAL)

P A R A P H R A S E

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Mr. Amai, the Foreign Office spokesman, declared that "ultimatum" is a misnomer as this term implies a threat of war. He stated that Japan has made no decision to declare war in case the Japanese demands are not met by the Chinese.

793.94/7020

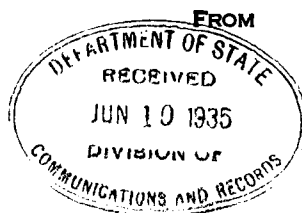
DECLASSIFIED: E.O. 11652, Sec. 3(E) and 5(D) or (E)
Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

COPIES SENT TO
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TELEGRAM RECEIVED

REP

1-1286



Secretary of State,
Washington.

258, June 10, 5 p. m.

Chinese compliance with Japanese demands continues.

According to various sources the withdrawal of Yu Hsueh Chung's troops progresses, their ultimate destination being given as Tungkuan on the Shensi border; the withdrawal of practically all of General Chiang Kai Shek's troops from the Peiping-Tientsin area has been accomplished and the 3rd gendarmerie regiment under the control of the National Government has left Peiping for Paoting.

General Shang Chen recently appointed Tientsin garrison commander became acting mayor of Tientsin June 9 while Liu Yu Shu became head of the public safety bureau of Tientsin. It is reported that some of Shang Chen's troops are moving from Peiping to points in the vicinity of Tientsin which are outside the railway zone. However, after the departure of Yu's and Chiang's troops

from

GRAY & SPECIAL GRAY

Peiping via N. R.

Dated June 10, 1935

Rec'd 11:14 a. m.

Division of
FAR EASTERN AFFAIRS

JUN 10 1935

Department of State

793.94/7021

FILED
JUN 14

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

REP

2-#258, From Peiping, June 10, 5p.m.

from this area the strength of Shang Chen's troops will be approximately that of a police force adequate for this area and to all intents and purposes the Peiping-Tientsin area can be regarded as demilitarized.

An American army intelligence officer states that arrangements have been made by the Japanese for eight trains to transport Japanese replacement troops from Tangku to Tientsin on June 12 and to carry those troops relieved from Tientsin to Tangku on June 18. If this report is true it may indicate that the Japanese do not contemplate an appreciable increase of their troops in Hopei in the immediate future and that they are satisfied for the time being with the results obtained by them in Northern Hopei through their recent demands. However, some significance may be attached to the fact that the Japanese military according to the Japanese Legation will hold a conference on June 12 at Tientsin.

Repeated to Nanking.

JOHNSON

WSB

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

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

TELEGRAM RECEIVED

REP

1-1280

FROM

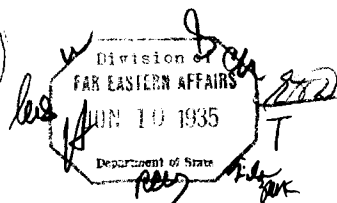
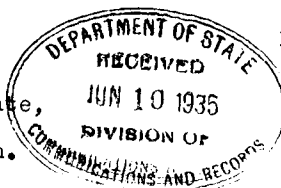
SPECIAL GRAY

Peiping via N. R.

Dated June 10, 1935

Rec'd 11:39 a. m.

Secretary of State,
Washington.



259, June 10, 6 p. m.

Situation in North China remains obscure in spite of the fact that newspaper men and others in contact with Chinese and Japanese here and in Tientsin express the belief that Japanese indicate satisfaction with efforts Chinese are making to meet Japanese demands. I gather that Japanese military are prepared to insist on eventual liquidation of Kuomintang activities in North China; that they will not be satisfied with mere removal of Tangpu to Paotingfu. I gather also that they are going to insist that Chiang Kai Shek as principal leader became more active in meeting Japanese approaches and that he accept full responsibility for carrying out such desires as the Japanese may have in mind, specifically, that he discontinue present apparent policy of absenting himself from Nanking while at the same time controlling Nanking and all government activities.

In

793.94 / 7022

FILED
JUN 14 1935

F/G

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

REP

2-#259, From Peiping, June 10, 6 p.m.

In pursuing their ends Japanese military have inspired such excitement in the minds of the Chinese that they have to continue a strict censorship on all (?) prepared for despatch by foreign news correspondents except Japan. They themselves are afraid to telegraph facts. I infer that they are even afraid to instruct their ministers abroad to explain the situation to foreign countries lest in so doing they further excite the wrath of Japanese military who demand that all questions relating to China must be settled in accordance with the wishes of Tokyo and are not to be discussed in other parts of the world. In this connection they have taken to heart Japanese military censure of the Chinese Minister at Tokyo who attempted to defend publicly General Chiang Kai Shek.

There is no doubt in my mind ultimate aim of Japanese military is to purge North China over an indefinite area of all Chinese political activity as hitherto expressed by the Kuomintang through its local party headquarters and that if demands are met North China will have such officials and only such officials as are acceptable to the Japanese military. The difficulty in this matter, according to Chinese with whom I have talked,

REP

3-#259, From Peiping, June 10, 6 p. m.

talked, lies in the fact that they appear to be unable to determine how far Japanese desires go and therefore cannot tell when some unsatisfied demand of the Japanese military may be used as an excuse for actual military occupation here in North China. Japanese military for instance demand cessation of all anti-Japanese activities, liquidation of all secret organizations, and Chinese profess to be powerless in regard to secret organizations of which they claim to have no knowledge or control, and they further claim that they are never certain as to what activities or statement by Chinese may at one time or another be determined by the Japanese as anti-Japanese. Such a situation leaves the future very obscure. The only settlement that can be adequately acceptable to the Japanese would be the demand in which the Japanese themselves would deal directly with those judged by them to be anti-Japanese in speech or action. Repeated to Tokyo, paraphrase to Nanking.

JOHNSON

WSB-CSB

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

TELEGRAM RECEIVED

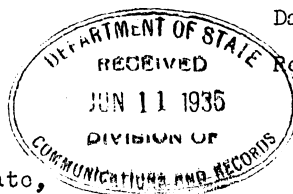
This message must be
carefully paraphrased
before being delivered
to anyone (A)

FROM Tokyo

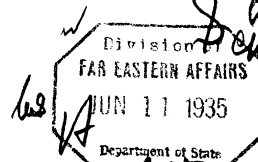
COPIES SENT TO
O.N.I. AND M.I.D.

Dated June 11, 1935,

Recd. 9:25 a.m.



Secretary of State,
Washington.



128, June 11, 5 p.m.

Crisis in North China - CONFIDENTIAL.

The assistant liaison officer in the office of the
Ministry of War called at his own request on our Military At-
tache at noon today to explain the situation in North China.
He has been friendly, communicative and accurate in the past
but today for the first time he showed clearly that he had been
directed to deliver a special message substantially as follows:

(1) - Japanese army officers in China and the military au-
thorities in Tokyo are satisfied with the reply received from
General Ho Ying Chin although they had wished the reply to come
direct from Chiang Kai Shek.

(2) - Compliance with the general army demands will remove
from North China the troops, anti-Japanese organizations and
individuals considered objectionable and they will be replaced
with pro-Japanese officials and acceptable Nationalist troops
for the preservation of order.

(3) - Being suspicious however of Chinese sincerity in ful-
filling the promises made the Japanese army is taking the precau-
tionary

793.94/7023

FILED

F/FG.

Tokyo 128, page 2

tionary measures of sending a small contingent of troops from the Tientsin garrison to Peiping and other troops from the Kwangtung army to Kupeikow and Shanhaikwan and of stationing an air unit at Chinchow. General staff headquarters at Tokyo however have forbidden the movement of the troops from the Kwantung army south of the Great Wall without imperial sanction in order to prevent premature action by headstrong local commanders. It appears that this precaution was taken at the request of the Premier who is said to have been worried over the situation.

(4) - Movement of troops out of Hopei Province has begun and ~~barring~~ accidents should be completed by the end of June but the Japanese army has set no time limit for their evacuation.

(5) - At first the Japanese North China garrison, it is believed, wished to establish a buffer state in North China or to extend the demilitarized zone to include Peiping and Tientsin but such ideas have been abandoned because of the disapproval of the military authorities in Tokyo. The Tokyo military authorities desire only a peaceful North China with no political change.

The above information was given in confidence for official use only and not for publication either in the United States or in Japan.

Repeated to Peiping.

GREW

wsb

DECLASSIFIED: E.O. 11652, 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. 128) of June 11, 1935, from the American Ambassador at Tokyo, reads substantially as follows:

A representative of the War Office, who is designated as assistant liaison officer, called today on the Embassy's Military Attaché at his own request. This officer has hitherto been friendly, communicative and accurate, but on this occasion it was obvious that he had been instructed to deliver a message in regard to the situation in North China, of which the following is the substance:

1. Despite the fact that a reply to the Japanese "ultimatum" was desired from Chiang Kai Shek, the Japanese military authorities in China and in Tokyo are satisfied with the reply made by General Ho Ying Chin.

2. The troops, organizations and persons in North China considered by the Japanese to be objectionable will be displaced by acceptable officials and troops, under the terms of the Japanese demands.

3. The Japanese authorities are sending a small force of troops to Peiping from the Tientsin garrison, and are sending other troops from the Kwantung army to Kupeikow and Shanhaikwan, and are stationing an aviation unit at Chinchow. These moves are being made as precautionary measures, in view of the doubtful sincerity of the Chinese in fulfilling their

1948

DECLASSIFIED: E.O. 11652, 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 -

their promises. The Kwantung army has been forbidden by the Tokyo general staff to move troops southward of the Great Wall without the sanction of the Emperor. This step was designed to prevent local commanders from taking action on their own initiative, and was taken, it is said, at the request of the Prime Minister who appears to have been much concerned over affairs in North China.

4. Troops are being moved out of Hopei Province and by the end of June should have evacuated that province. No time limit for the evacuation has been set by Japanese army authorities.

5. Disapproval by the army authorities in Tokyo has caused the abandonment of a scheme on the part of the Japanese North China garrison to set up a buffer state in North China or to include Peiping and Tientsin in the demilitarized zone. The desire of the Tokyo military authorities is only that North China be rendered peaceful; no political change is sought.

You will appreciate that this information was given in strict confidence for official use only.

793.94/7023

WV
FE:WTT/DLY
6-11-35

FE

mmw

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

TELEGRAM RECEIVED

REP

SPECIAL GRAY

1-1280

FROM

Nanking via N. R.

Dated June 11, 1935

Rec'd 3:09 p. m.

Secretary of State,
Washington.

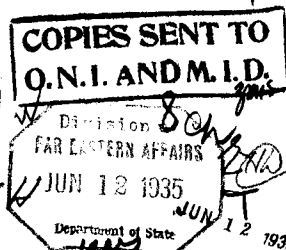
148, June 11, 11 a. m.

STRICTLY CONFIDENTIAL.

One. I am confidentially informed by ranking official of the Foreign Office that the Chinese Government is still uncertain as to whether or not Japanese troops may yet take direct action in North China and that this uncertainty will continue until after the Japanese military conference scheduled to be held at Tientsin tomorrow and after the expected arrival on the same day of Japanese reenforcements from Dairen originally stated to have been sent to Tientsin as replacement troops.

Two. The official stated, however, that it was not anticipated that the Japanese forces would occupy the Peiping-Tientsin area with a view to including it in the demilitarized zone; the Japanese forces desired rather a Chinese administration in the North financed by China and compliant to their wishes. The Japanese army

spokesmen



793.94/7024

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JUL 26 1935

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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

REP

2-#148, From Nanking, June 11, 11a.m.

spokesmen had orally demanded the elimination from North China of Yu Hsueh Chung and other officials, the removal from Hopei Province of the remaining units of the northeastern armies (chiefly Yu's 51st Army Corps) and of all central government troops in addition so that the area would in fact be demilitarized, and the suppression of the Kuomintang and other organizations inimical to Japanese. He said that the Chinese had now complied with all these demands in fact or in principle.

Three. The Japanese military demarche in North China, he stated, was undertaken without the consent or prior knowledge of the Foreign Office and the responsible Japanese military officers in the North had, according to reliable information received by the Chinese Foreign Office, vitiated their scheme against even the instructions of the General Staff although possibly with the tacit consent of the war minister who at least during his visit to "Manchukuo" has been under the domination of the Kwantung army.

Four. With surprising frankness the official took pains to say that the outbursts of the Japanese military against General Chiang Kai Shek were due to their knowledge

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

REP

3-#148, From Nanking, June 11, 11a.m.

knowledge that Chiang is irreconcilably anti-Japanese and that while he has been making conciliatory public statements in connection with the Sino-Japanese "rapprochement" he has meanwhile continued his unremitting efforts to strengthen the national defense and has been the moving spirit behind continuing anti-Japanese activities. The official stated that the steady increase in Chiang's personal power and prestige, with consequent progress in the unification of China, was alone sufficient to cause the Japanese to consider him their worst enemy in this country; in addition, he said, no one in China is more anti-Japanese than Chiang Kai Shek and the Japanese have come to realize this fact.

FOR THE MINISTER
ATCHISON

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

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TELEGRAM RECEIVED

REP

1-1236

FROM

GRAY & SPECIAL GRAY

Peiping via N. R.

Dated June 11, 1935

Rec'd 3:50 p. m.

793.94
DEPARTMENT OF STATE
RECEIVED
Secretary of State, JUN 11 1935
Washington, DIVISION OF
COMMUNICATIONS AND RECORDS

263, June 11, 9 p. m. (GRAY)

Presumably for the purpose of improving Japanese

feeling the National Government issued a mandate
June 10 which tells the Chinese people to be sincerely
friendly to friendly countries and which "prohibits"
words or actions provocative of ill-feeling and any
sort of organization which constitutes an obstacle to
international relationships.

(SPECIAL GRAY) It is believed that the immediate
intentions of the Japanese military with regard to
North China may be better understood following the
meeting of their leaders at Tientsin June 12.

A Rengo report claims that the Japanese have
demanded the dissolution of the Peiping branch politi-
cal affairs committee and the Peiping military council.
From statements made in strict confidence by a Chinese
official appears that such a demand may have been made

or

793.94/7025

FILED
JUL 26 1935

1/5

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

REP

2-#263, From Peiping, June 11, 9p.m.

or is anticipated. This Rengo report of recent Japanese demands indicates Japanese intention to remove from all of Hopei Province Chinese political and military control and not limited to withdrawal to Paoting.

JOHNSON

CSB

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

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McL

1-1286

FROM

Gray.

Peiping via N. R.

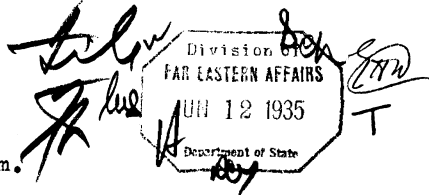
Dated June 12, 1935.

Received 9.14 a.m.



Secretary of State,
Washington.

266, June 12, 4 p.m.



The carrying out by Chinese of known Japanese demands seems to be progressing satisfactorily. General Dohara is reported to be at Tientsin to attend the conference there today of Japanese military officers. So far as is known arrival at Tangku today of Japanese replacement troops is proceeding normally. According to the Japanese Embassy replacement troops are expected at Peiping on June 14 or 15, these troops apparently being some of those landing at Tangku today.

JOHNSON.

WWC
HPD

793.94/7026

FILED
JUL 26 1935

F/G

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

DOCUMENT FILE

NOTE

SEE 894.00 P.R./89 FOR Despatch #1304

FROM Japan (Grew) DATED May 15, 1935
NAME 1-1177 ***
./11611

REGARDING: Negotiations for a Sino-Japanese Rapprochement:
Reports status of -.

fpq

793.94/7027

7027

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

793.94
II. RELATIONS WITH OTHER COUNTRIES.

(a) China

(1) Reports of Negotiations for Sino-Japanese
Rapprochement.

During April the Japanese press manifested less

interest

* Embassy's Monthly Report for March, 1935, Section 1 (d).
** Embassy's telegram No. 86, April 16, 1935..

- 10 -

interest in the reported negotiations toward a Sino-Japanese rapprochement than it had in the previous three months, apparently having arrived at the conclusion that any eventual understanding could be reached only after a greater lapse of time than had been anticipated at first.* Apparently the Japanese military maintained their attitude of skepticism with regard to China's alleged change of policy concerning anti-Japanese agitation and boycott.** Furthermore, while during the months of January, February, and March the newspapers had uniformly professed to believe the truth of the report regarding China's altered feelings toward Japan, during the month under review there developed in a section of the press a certain amount of doubt as to China's good intentions. Major General Kenji Doimara of the Mukden Special Service Department of the Kwantung Army, and Mr. Akira Ariyoshi, the Japanese Minister to China, who had carried out separate inspection tours in China, returned to Tokyo in April to report to their respective Departments on their findings. Although, according to press reports, Major General Doimara did not seem at all convinced of the sincerity of recent Chinese expressions of friendship. Mr. Ariyoshi considered it wise to accept China's profession of amity and asserted that the Nanking Government was undoubtedly endeavoring to suppress anti-Japanese agitation in China. In general, uncertainty with regard to the reported Sino-Japanese rapprochement seemed to prevail in the press and among Japanese officials and the general public.

Reports

* Embassy's despatch No. 1289, May 10, 1935.

** Embassy's despatch No. 1204, March 19, 1935.

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

- 11 -

Reports continued to appear to the effect that the Japanese Government intended to raise its Legation in China to the status of an Embassy in the near future.

In April less press comment appeared on reports of international loans to China. The newspapers seemed to have the impression that Great Britain's proposal for an international loan to China had failed partly because of American reluctance to act on the proposal.

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

4-100
PREPARING OFFICE
WILL INDICATE WHETHER

Collect
Charge Department
OR
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TELEGRAM SENT

Department of State
RECEIVED
DEPARTMENT OF STATE

Sp. Gray
TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PLAIN
PARTAIR
Washington, VIA NAVAL RADIO
SPECIAL GRAY

1935 JUN 12 PM 1 15

June 12, 1935.

AMERICAN CONSUL,

NANKING (China).

Bush. Report 46

Associated Press report from Nanking under date line

June/12/ states that Central/ Political/ Council, meeting in urgent session/ closed/ to the/ press/ and to/ the public/ was reported today/ to have/ rejected/ the Japanese/ demands/ affecting/ North/ China;/ that/ Chinese/ reports/ of the/ meeting/ stated that/ the/ Council/ had/ telegraphed/ Ho Ying-ching/ instructing him/ to QUOTE/ prepare/ for/ eventualities/ should the/ Japanese/ carry out/ threats/ to advance upon/ Peiping/ and/ Tientsin/ UNQUOTE.

Please investigate accuracy of report and send reply as soon as practicable.

793.94/7027A

Phillips
Acty

FE:MMH:REK

FE

JUN 12 1935

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. Huelsken NARS, Date 12-18-75

TELEGRAM RECEIVED

02

1-1238

FROM

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

FS



Special Gray

Nanking

Dated June 13, 1935

Rec'd 3:54 a.m.

Secretary of State,

Washington.

URGENT, RUSH.

150, June 13, 11 a.m.

Department's June 12, 2 p.m. / 7027a just received. I am investigating the report. My information at this time is that the Council feels it impossible to accept the further Japanese demands mentioned in my 149, June 13, 10 a.m., namely, that the Chinese give written undertaking of compliance with the previous demands, that Chiang Kai Shek come to Nanking to meet with Japanese military officials, and that no Central Government troops be stationed north of Yellow River. I am informed by source close to important Government leaders that Government fears it will fall if it signs formal undertaking and that Chiang cannot risk further loss of prestige by returning here pursuant to a Japanese command. Department's message and this preliminary reply repeated to Peiping.

FOR THE MINISTER

/SB:HPD

ATCHESON

793.94/7028

FILED
JUL 26 1935

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

4-138
PREPARING OFFICE
WILL INDICATE WHETHER

TELEGRAM SENT

1-138

TO BE TRANSMITTED

☒ CONFIDENTIAL CODE

☐ NONCONFIDENTIAL CODE

PARTIAL

PLAIN

Collect

Charge Department

OR

Charge to

\$

Department of State

DEPARTMENT OF STATE

Washington,

This cable was sent in confidential code. It should be carefully paraphrased before being communicated to anyone. (C)

JUN 12 PM 5 45 June 12, 1935.

DIVISION OF
COMMUNICATIONS
AND RECORDS

6 PM

AMLEGATION,

PEIPING (China).

RUSH. 159

STRICTLY CONFIDENTIAL.

793.94

The Chinese Minister/has just/informed the Department/
orally/that he has received a/lengthy/cablegram from his
Government;/ that/as yet/only the last part/of the/cablegram/
has been/decoded;/ that the/decoded/part/states that/
Ho Ying-ching has refused/to comply with a/Japanese/demand
that/he/PARENTHESES/HO/PARENTHESES/copy the Japanese/
demands/and/seal the copy/and return/it/to the/Japanese;
that/because of this/development, the situation/has now/
become/most/tense; and that/the Chinese
Government/had gone/to/extremes/to meet the Japanese/
demands./ The Chinese Minister/stated that the/cablegram/
asked him/to inform the American Government/in confidence/
of this/development./

793.94/7029A

FE:MMH/DLY

FE

m.m.h.

Phillips Acting
(m.m.h.)

Enciphered by _____

Sent by operator _____ M., _____, 19____

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

May 24, 1935

M. H.

*There is nothing new
of interest in this article*

FE

*Since there is no origin
indicated, attached does
not appear to have any
value from a
record stand-
point.*

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

MAY 24 1935

DCR. 480

Mr. Driscoll;

*This is an MID
report from the
War Dept.*

X

Japan:

Japan Plans China's Cooperation -

793.94

Important high lights of the current state of Sino-Japanese relations are presented in two very recent press reports from the Far East -- one relating the assassination of two Chinese newspaper editors of vernacular dailies (financed by the Japanese) that had been advocating cooperation between Japan and China; the other declaring further drastic action against China is threatened by the Kwantung Army. The first epitomizes the difficulties facing the Nanking Government in bringing this cooperation to pass; the second emphasizes the almost certain results to follow its failure. The latter may also indicate that the Kwantung Army is becoming impatient with the so-called "duck" diplomacy -- outward serenity accompanied by much invisible activity -- which has characterized Sino-Japanese affairs for some months.

In his Diet speech of January 21 Foreign Minister Hirota of Japan said in part: "I fervently hope . . . not only that China will soon recover her stability but that she will awake to the realization of the whole situation of East Asia and undertake to meet the genuine aspirations of our country. ~~In view of our position as China's neighbor and as the stabilizing force in East Asia and undertake to meet the genuine aspirations of our country.~~ In view of our position as China's neighbor and as the stabilizing force in East Asia, it is our policy to try to assist China in the attainment of this goal." The Foreign Minister, he it noted, is committed to a diplomatic solution of all of Japan's international problems.

On January 29 the Osaka Mainichi frankly outlined the program of assistance Japan would be willing to follow, if Nanking accepted Tokyo's leadership in international affairs and guaranteed the cessation of anti-Japanese movements. Here are some of the alleged items in the program: (1) exchange of ambassadors instead of ministers with China; (2) extension of political, economic, military, and other aid to any individuals or groups capable of assuming responsibility for a unified China; (3) assistance in exterminating the Chinese communists; (4) conclusion of a separate treaty with China nullifying multilateral pacts such as the Nine Power Treaty; (5) assistance to China in withdrawing from the League of Nations; (6) replacement of foreigners now advising China with Japanese advisers; (7) establishment of a permanent neutral zone in North China; (8) formation of a bloc composed of China, Japan, and Manchoukuo.

Because of the strict censorship exercised over the press by the Japanese authorities, observers were justified in concluding that the article was inspired by a deliberate "leak" on the part of the interested governmental office, military or civilian. With sufficient reason the guess has been hazarded that the fullest possible scope of Japan's aims in China was disclosed in order to prepare Chinese and world opinion for a milder yet epoch-making policy.

Meanwhile, a genuine departure in Sino-Japanese negotiations took place. The Japanese custom of dealing with local authorities was

dropped for the nonce and the Japanese Minister Ariyoshi and the Military Attache, General Suzuki, went to Nanking for an interview with the highest authority in the land, General (now Marshal) Chiang Kai-shek. The Japanese have since asserted that the conference was requested by General Chiang, but Tokyo doubtless welcomed the opportunity to present its views.

Next the Japanese Army took a hand at diplomacy. Early in February Major General Doihara, often dubbed "arch plotter," visited Peiping and Tientsin and was extensively entertained by the local Chinese officials. He then proceeded to Shanghai, Nanking, Canton, Hongkong, Focchow, and even into Kwangsi Province. Wherever he went he conferred with the leading Chinese of the locality, ostensibly for purposes of good will.

To appreciate fully the significance of General Doihara's pilgrimage, one needs to understand the important part he has played in Sino-Japanese affairs during recent years. At the time of the Mukden incident of September 18, 1931, he was "Resident Military Officer" in that city. It is averred that he was responsible for that outbreak. Two months later he was in Tientsin when a series of riots created the necessary confusion to enable Henry Pu Yi, the former "Poy Emperor" of China, to escape to Dairen under Japanese protection. The following January he was in Harbin when sudden disorders gave the Japanese an excuse to occupy the city. Small wonder, therefore, that trouble came to be expected wherever General (then Colonel) Doihara put in an appearance. Because of his long connection with Chinese affairs, dating from 1918, he was obviously qualified to sound out Chinese leaders for the Japanese military.

The actual results of General Doihara's tour can only be surmised at present, but press reports of his remarks at various times are interesting. The China Press (Shanghai) of February 18 quotes him as saying "It is evident that the people of China as a whole are gradually realizing what Japan's real intentions are and are anxious to cooperate with Japan . . . but we cannot admit that the Government and the Kuc-mintang have abandoned their previous anti-Japanese policies." To the Shanghai correspondent of the New York Times he expressed "grave doubts" of Nanking's ability to carry out promises to suppress all phases of anti-Japanese activity, adding "If we find sincerity lacking, we must adopt what we conceive to be a policy of righteousness and in that event will cooperate with other groups of Chinese who understand righteousness in our sense." After his return to Japan the press reported him as having warned that "the aiding of the National Government at this time will plunge Japan into the maelstrom of Chinese internal politics and lead to unpleasant results."

Anti-Japanese activities in China do not seem to have been as intense recently as General Doihara and other Japanese spokesmen have claimed. The boycott has had no open official encouragement for at least two years, but apparently individuals and unofficial organizations in some localities have persecuted Chinese merchants who have handled Japanese wares. The latter activity seems to have been taken care of by a Government mandate of March 2, calling all Government officials' attention to Articles 16 and 37 of the Provisional Constitution guaranteeing rights of private property, etc. Anti-Japanese teachings in the schools have also been tempered, it is reported.

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

Chiang Kai-shek followed up his famous conference with the Japanese Minister and Military Attache with one of his rare press interviews from which the following is quoted:

"Friendly and neighborly relations between China and Japan cannot be restored unless the anti-Japanese sentiment which has prevailed in China and the dominating attitude of Japan are simultaneously rectified.

"The Chinese people should, in an attitude of open-mindedness and in pursuance of the dictates of wisdom and righteousness, refrain from impetuous conduct and anti-Japanese activities, so as to further manifest our sincerity and righteousness. I believe that this attitude will find due response from Japan."

Questioned as to whether China might become a protectorate of Japan, he said "No Chinese or Japanese conversant with the actual situation can harbor such absurd thoughts."

In reciprocation of these sentiments, Foreign Minister Hirota on February 21 declared before a Diet committee that he intended to "repose full confidence in Chiang Kai-shek in order to lay down foundations for permanent friendship between Japan and China." A week or so later he is reported to have said "All foreign powers have negotiated with Nanking, and Japan does not intend to make an exception by negotiating with local administrations."

Another sensation was created on February 20 when Dr. Wang Ching-wei addressed the Central Political Council, speaking in part as follows:

"It may be recalled that our late leader, Dr. Sun Yat-sen, said in the course of a speech which he delivered at Kobe on November 28, 1924, that 'considering the relationship between China and Japan in all respects the peoples of the two countries should work hand in hand and cooperate in the advancement of the welfare of the two countries.' . . . It was the basis of his Sino-Japanese policy to which he adhered all his lifetime.

"Even from the standpoint of our revolution, it may also be recalled that: . . . we have received considerable help and sympathy from Japanese friends whether officials or nonofficials. . . . Bearing this point in mind, it may be seen how intimate the relations between China and Japan should be."

The reference to Dr. Sun Yat-sen, revered founder of Chinese nationalism and the Kuomintang, was especially adroit.

Just at this time Judge Wang Chung-hui, Chinese member of the World Court, was visiting in Tokyo en route to his post at The Hague. His seven-day visit was featured by unwonted cordiality on both sides and interviews with leading Japanese. The gist of his published remarks pointed to the necessity and advisability of cooperation between China and Japan "based on the principle of mutual benefit and equality."

It remained, however, for Sun Fo, President of the Legislative Yuan and son of the founder of Chinese nationalism, to climax the series of friendly Sino-Japanese exchanges. In a radio address broadcasted in Japan as part of the Japanese commemoration of the tenth anniversary of his father's death, he referred to the "enthusiastic assistance and sincere friendship" of Japanese for Dr. Sun during his lifetime and the sympathy of many Japanese to-day for his principles. He went even further along the road to conciliating the Japanese by mentioning the suffering resulting from Western encroachments during the last century and the realization that has grown up in both China and Japan that the yellow race is engaged in a struggle for existence. He opined, moreover, that the similarity of race, language, philosophy, etc., should cause the two countries to join hands, and that in the betterment of their relations Sun Yat-sen's policy of "Greater Asia" should be observed.

Throughout the period during which the events just recounted were transpiring the matter of a loan to bolster up China's shaky financial structure, further weakened by the silver-buying program of the United States Government, was a subject of keen international interest. As China's need for funds became more acute, statements were persistently advanced that Japan was ready to supply the loans in return for desired concessions, and such statements were as insistently denied by the Japanese. On March 1, nevertheless, the North China Daily News (British - Shanghai) published an article setting forth Japan's terms for a reconciliation with China in return for which a loan would be floated in Japan on China's account. The terms enumerated represent a considerable narrowing of the program released through the Japanese press late in January, but they are crucial, as the following outline attests:

Complete elimination of anti-Japanese propaganda from all textbooks used in Chinese schools.

Engagement of Japanese advisers by the National Economic Council.

Financial arrangements for the funding of all or part of the unrecognized Japanese loans to China, such as the Nishihara loans.

Substitution of Japanese for German military advisers and instructors now employed by the Nanking Government.

The North China Daily News article also went on to say that the Japanese had set a time limit of six to nine months for China's compliance with the terms mentioned; also that General von Seeckt, former chief of the German Reichswehr, and his German assistants would be replaced by 300 Japanese officers and 1,400 warrant officers for training Chinese armies. A somewhat more authoritative report declared that June 1, 1935, was the date set for Chinese compliance.

Another string attached to the Japanese loan proposal, according to the North China Daily News, was the substitution of Japanese advisers for the League of Nations experts now assisting the National Economic Council in rehabilitation work. The reason for this, it was contended, was that Japan should have men on the spot to see that the money is spent for productive and not unproductive purposes, as, for

example, for the extension of cotton growing so important to Japan rather than for promoting the interests of war lords. From any creditor's standpoint, this provision would seem eminently wise, but if carried into effect in this instance would be likely to cause international repercussions.

The substance of the North China Daily News article was denied before publication by military and civilian spokesmen of the Shanghai office of the Japanese Legation, as has been every other report that Japan was seeking to dominate in Chinese affairs. In discussing the current negotiations Japanese spokesmen invariably have preferred to use such euphemistic terms as "cooperation," "suggestions," "exchange of ideas," and so on. The precise degree of connection between China's financial stress and Sino-Japanese diplomatic negotiations has not been disclosed, but all evidence indicates the Japanese have been exerting strong pressure to win a preferred position in China.

Any foreign loan to China will be attended by difficulties. If it comes from Japan, it will face opposition from influential Chinese circles; if it comes from other nations, it must meet objections from Japan. Great Britain's attempt to promote a loan under the Four Power Consortium of 1920 is set forth in the following statement by the British Minister in Peiping on March 5.

"We are discussing with China possible joint financial aid by various powers in response to China's repeated requests for a £20,000,000 credit. . . . I believe that Japan has never officially opposed such joint assistance to China. I have informed the Nanking Government of our conversations with other powers. The next move in the negotiations would be submission by Nanking of detailed proposals, including conditions insuring that the loan would be employed beneficially."

It would seem, however, that British hopes of a consortium loan to China were at least dimmed when on March 6 a spokesman for the Tokyo Foreign Office cited the following as one of the reasons for the Japanese Government's disapproval of an international loan to China: "Japan cannot agree immediately to impose on China a system similar to the Four Power Consortium at a time when China is about to awaken to find a new state of affairs in the Far East." On the same day the Japanese Vice Minister for Foreign Affairs stated: "Japan will flatly refuse to participate in a discussion to give international economic assistance to China, as such a step will be tantamount to making China a colony of the senior powers. Only when the powers make negotiations individually for the giving of assistance to China, Japan will gladly take part."

In any case, an international loan to China appears contingent upon Nanking's submission of proposals, and these, as the British Minister privately admitted recently, have not been forthcoming. On the other hand, nothing has been published that would indicate the early conclusion of a loan from Japanese sources. Meanwhile, the Nanking Government, encouraged perhaps by the fact that the country passed safely through the Chinese New Year settlement period, has been making some efforts at self-help. A bond issue of \$100,000,000 (silver) has been authorized and reorganization of the three leading banks of China is in process. The election of former Finance Minister T. V. Soong,

possibly China's ablest financier, as president of the board of directors and general manager of the Bank of China, the most powerful financial institution in China, has given confidence to the public. It may also mean that this individual has modified his anti-Japanese views sufficiently to enable him to take a prominent part in Chinese affairs again.

It is now pertinent to consider what results have accrued from the negotiations and parleys between the Japanese and Chinese. The practically complete elimination of the boycott activities and some modification of the anti-Japanese teachings in the schools have been mentioned. Also some tariff reductions have been made, and the question of river and pilotage rights over which there was some disagreement is in process of adjustment. Meanwhile, Japanese commercial interests have been quietly improving their position in China and are now reported as being in almost complete control of the cotton textile industry in North China. But the discrimination against Japanese advisers continues to irritate Japan's pride, and Japanese exports to China, although they have increased lately, still hold second or third place.

Tokyo feels its political isolation and is well aware, too, of the hostile influences directed against its commercial expansion. What more natural, then, that its energies and diplomacy should be directed toward consolidating Japan's position in Asia? Japanese loans would be granted quickly for the development of China's cotton production and coal mining, and the building of railroads to facilitate both, provided Japanese direction of these activities is conceded. If, in addition, Western advisers to China could be displaced by Japanese, Tokyo's path to hegemony in Asia would be easier.

Japanese military and diplomatic authorities are doubtless united in these ambitions, but their methods have differed in the past, with perhaps the military visioning even greater victories. Observers believe that the military gave the Foreign Office a free hand to accomplish the desired objectives in its own way, but decided to send General Doihara to China to apply some additional pressure and check up on the Japanese diplomatic agents. It is also believed that the time limit of four, six, or nine months, whichever it is, for these accomplishments was set by the military. Conceivably, General Doihara's tour enabled him to report to the Tokyo War Office and the Kwantung Army headquarters the divisions still existing in the Chinese body politic and the unlikelihood of winning a united Chinese public opinion over to an effective rapprochement with Japan.

Nanking's cautious moves toward closer relations with Japan have aroused no serious repercussions in China thus far; but the apparent lack of progress toward Japan's objectives during the last six weeks or so may mean that the Central Government has gone as far as it dares at this time. It is believed that Chiang Kai-shek and other leaders are convinced of the wisdom of cooperating with Japan; hence General Doihara's charge of lack of "sincerity" can hardly be applied to them; but Doihara must have discerned that no Chinese in authority is able to effectuate immediately all of the items in Japan's program and survive politically. The Tientsin assassinations mentioned at the beginning of this article may have been only an isolated protest against Nanking's pro-Japanese moves, or they may have been outward manifestations of strong opposition of which the Central Government is aware and which it is endeavoring to meet.

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

But what of the warning issued by the Kwantung Army? It is directed specifically against General Yu Hsueh-chung, chairman of Hopei Province. Because of the strong stand taken by this officer against the Kwantung Army's dicta, the Japanese have tried for some time to effect his removal but without success. According to the press, a new, specially trained police force was to have been moved into the demilitarized zone along the Great Wall on May 10, but the Japanese charge General Yu violated the agreement by moving soldiers into the forbidden area on April 30. Bearing in mind, however, that June 1 may really be the date set by the Kwantung Army for China's compliance with Japanese demands, the warning of drastic action may presage the creation of another of the incidents that have served the purposes of the Japanese military so well in the past.

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

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

TELEGRAM RECEIVED

FS



SPECIAL GRAY
FROM

Nanking

Dated June 13, 1935

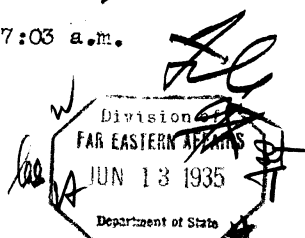
Rec'd 7:03 a.m.

Secretary of State,

Washington.

URGENT, RUSH.

152, June 13, 2 p.m.



One. Reliably reported that Central Political Council this morning passed resolution to following effect:

Ho Ying Chin should inform Japanese military authorities in writing (one) that the Chinese have accepted and are complying with all Japanese demands presented prior to June 11th and (two), that if the Japanese army has further demands they should be presented to the Chinese Government at Nanking through usual diplomatic channels.

Two. Ho Ying Chin is en route ~~Nanking~~ by plane and it is now generally believed here that Japanese troops will take no direct action in Tientsin-Peiping area until tomorrow or next day after he has had opportunity to confer with his government.

Three. Ariyoshi is calling upon Wang Ching Wei late today.

Four

793.94/7030

FILED

JUL 26 1935

F/A

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

FS 2-No. 152, June 13, 2 p.m. from Nanking

Four. Despatched to the Department and Peiping.

FOR THE MINISTER

ATCHESON

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

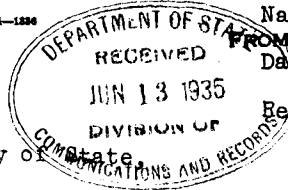
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TELEGRAM RECEIVED

FS

SPECIAL GRAY

1-1286



Nanking via N. R.

Dated June 13, 1935

Rec'd 7:16 a.m.

COPIES SENT TO
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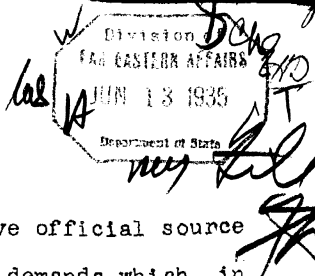
Secretary of State,

Washington.

URGENT, RUSH.

151, June 13, 1 p.m. /702 8

My 150, June 13, 11 a.m.



793.94/7031

One. I learn from authoritative official source that Council decided to reject fresh demands which, in addition to those described in my 150, included;

(1) Japanese supervision of steps taken in compliance with the previous demands; (2), the setting up in North China of a "Neutral Commerce"; and, (3), Japanese approval of all officials appointed in that area. The decision was not (repeat not) to refuse compliance with the previous demands, all of which have been or are being fully acceded to.

Two. The informant states that Takahashi on June 11 presented to Ho Ying Chin for signature a written form of agreement to previous demands and fresh ones above mentioned. Ho telegraphed for instructions and Council decided it must direct him not (repeat not) to

sign

FILED
JUL 26 1935

F/G

793.94

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

FS 2-No. 151, June 13, 1 p.m. from Nanking

sign and to prepare for eventualities, this decision being based upon reasons cited in my June 13, 11 a.m., and because of feeling that although the Chinese were faithfully complying with previous demands, it now seemed that Japanese requirements would be unending and the Chinese Government would have to stand firm at some point.

Three. Other sources confirm the above. Chinese Government circles are gravely concerned, a spirit of hopelessness is apparent and it is openly feared that when new Japanese Ambassador presents his credentials Japanese troops will be occupying Peiping.

Four. Despatched to the Department and Peiping.

FOR THE MINISTER

ATCHESON

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

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FS

FROM
SPECIAL GRAY



Nanking via N. R.

Dated June 13, 1935

Rec'd 8:15 a.m.

Secretary of State,

Washington.

149, June 13, 10 a.m.

My 148, June 11, 11 a.m.

I learn from reliable Chinese official source
that the Japanese military in the north are now demanding,
(1), that in future no Central Government troops be
stationed north of the Yellow River: (2), that Ho Ying
Chin give a written undertaking of compliance with
Japanese suggestions concerning North China; and, (3),
that Chiang Kai Shek himself return to Nanking to meet
with Japanese military officials with a view to the
adoption of a definite and "sincere" policy of Sino-
Japanese "cooperation".

Two. A report from dependable foreign source
has been received here that yesterday 5000 Japanese
troops reached Shanhaikwan and were preparing to entrain
for Peiping and that with them were 600 Japanese rail-
way employees.

Three.

793.94/7032

JUL 26 1935

FILED

F/G.

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

FS E.No. 149, June 13, 10 a.m. from Nanking

Three. Nanking is upset by rumors arising from meetings yesterday of National Defense Council, Central Executive Committee, Central Political Committee and a conference last night between Wang Ching Wei, Sun Fo, H. H. Kung, T. V. Soong and other leaders (?) continuing today and which replaces the Hankow conference mentioned in my 139, ⁷⁰⁰⁴ June 5, 10 a.m. According to an unconfirmed report from Chinese sources the conferees named are considering favorably a proposed re-orientation of Chinese foreign policy the principal tenet of which is an attempt to form some kind of Sino-Japanese political partnership as a last hope of blocking further advance of Japanese to begin (?) on the Asiatic continent.

Four. To Tokyo by mail.

FOR THE MINISTER

HPD:WSB

ATCHESON

DECLASSIFIED: E.O. 11652, 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

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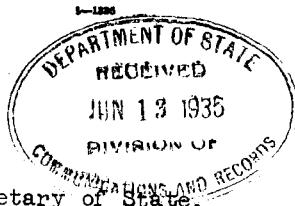
**COPIES SENT TO
O.N.I. AND M.I.D.**

FROM GRAY

Shanghai via N. R.

Dated June 13, 1935

Rec'd 7 a.m.



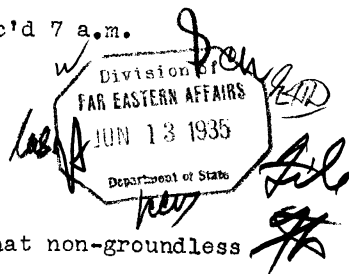
Secretary of State,
Washington.

RUSH, June 13, noon.

There are numerous but somewhat non-groundless rumors current in Shanghai today to the effect that the Japanese have made impossible demands in regard to the situation in the North. Domestic bonds have fallen several points this morning and it is stated that news reports are being rigidly censored and as a result no news is obtainable from the North today. It should be appreciated if the Legation would furnish this Consulate General with such statements as will assist in determining the true conditions and the new demands made by the Japanese in the settlement of the Northern question.

WWC:RR

CUNNINGHAM



793.94/7033

JUL 26 1935

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F/G.

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

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PREPARING OFFICE
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OR
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TELEGRAM SENT

Department of State

RECEIVED
DEPARTMENT OF STATE
Washington,

1935 JUN 13 PM 1 13 June 13, 1935.

1-128
TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTAIR
PLAIN

AMLEGATION,

PEIPING (China).

Push (A)

Please repeat to Tokyo the text or the substance of
important telegrams received by the Legation from Nanking
in regard to the present Sino-Japanese situation.

DIVISION OF
COMMUNICATIONS
AND RECORDS

793.94/7033A

FE:MMH:REK

FE

M.M.H.

DIVISION OF
COMMUNICATIONS
AND RECORDS

JUN 13 1935

1935 JUN 13 PM 2 17

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DEPARTMENT OF STATE

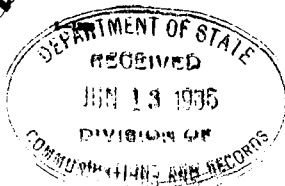
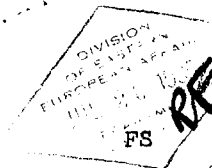
Enciphered by

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. S. [unclear] NARS, Date 12-18-75

COPIES SENT TO
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TELEGRAM RECEIVED



GRAY & SPECIAL GRAY
FROM

Peiping via N. R.

Dated June 13, 1935

Rec'd 11 a.m.

Copy sent to Moscow June 25

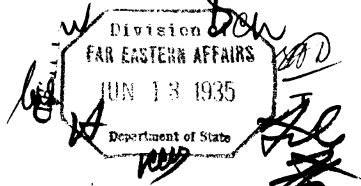
Secretary of State,
Washington.

268, June 13, noon.

Japanese press reports that the Japanese Military

are taking a serious view of an "insult" to Japan which took place at Kalgan on June 5 (Chinese version, June 14) and which Japanese regard as more serious than another "Yu Hsueh Chung North China affair". According to the Japanese press four Japanese military arriving at Kalgan were stopped by the Chinese military and although they had proper documents were illegally detained for 18 hours during which time they received insulting treatment. The Chinese press states that the Japanese had no proper documents. According to a press correspondent the Japanese military at Tientsin are awaiting the arrival of a Japanese officer from Kalgan to learn the details of the incident and to decide what action to take in regard thereto. Although it is impossible to foretell what use the Japanese military may make of this incident to forward their aims with respect to Chahar

it is



793.94/7034

JUL 23

FILED

F/G

793.94

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

FS 2-No. 268, June 13, noon from Peiping

it is possible that they may use it to effect the
elimination of Sung Che Yuan whom they dislike or
that they may use it in furthering their efforts
to separate inner Mongolia from China (see my
telegram 230, ⁶⁹⁸⁸ May 31, 4 p.m., paragraph 3).

CSB

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

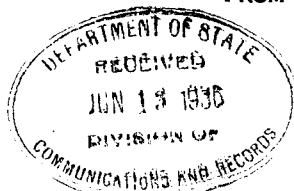
REP

1-1286

FROM

GRAY

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



Peiping via N. R.

Dated June 13, 1935

Rec'd 1:25 p. m.

Secretary of State,

Washington.

271, June 13, 5 p. m.

Legation is reliably informed that pamphlets have been distributed here this afternoon denouncing Chiang Kai Shek and advocating an independent state. Among the names mentioned in the pamphlet as sponsors of the movement are Tsao Ju Ling and Sun Chuan Fang.

Legation is also informed that Charhar official called today on Japanese Assistant Military Attache to apologize for recent incident (Legation's 268, June 13, noon) and was told that it was too late for apology and that military would decide what action should be taken in regard thereto.

Repeated to Nanking and Shanghai.

JOHNSON

RR-HPD



793.94/7035

FILED
JUL 26 1935

F/G.

793.94

DECLASSIFIED: E.O. 11652, 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

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

REP

1-1288

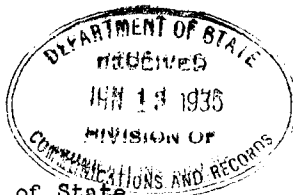
FROM

SPECIAL GRAY

Nanking via N. R.

Dated June 13, 1935

Rec'd 1:20 p. m.



Secretary of State,

Washington.

154, June 13, 5 p. m.

One. A high Chinese source states that no

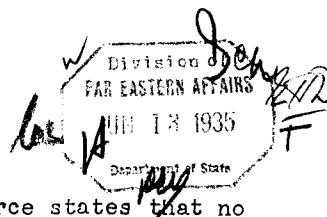
Japanese demands were formulated in Shantung and that they were added to by local Japanese military before presentation to Ho, that Ho was accordingly given notice to repudiate the additions and by the night of June 10th considered that the crisis had definitely passed. The sudden presentation of document embodying both offers and new demands on June 11th was completely unexpected and indicated that the Kwantung army had acquiesced in the additions desired by Japanese military in North China.

Two. This paragraph being sent by cable in more confidential code.

Three. Same source states that a telegram has just been received from official source in Peiping that municipal authorities there are preparing to abandon their posts.

FOR THE MINISTER
ATCHESON

WSB



793.94/7036

FILED

JUL 26 1935

F/G.

793.94

7E

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

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

FROM

Nanking

Dated June 13, 1935

Rec'd 7:37 a.m.

Secretary of State,
Washington,

RUSH

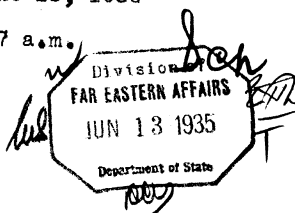
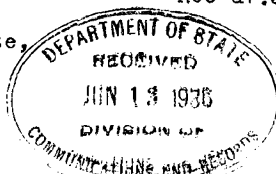
154, June 13, 5 p.m.

Paragraph No. two only. This informant states that the farreaching character of the Japanese demands was due to what he states is now proven fact that Japanese found upon Sun Yung Ching orders covering anti-Japanese activities received from Chiang Kai Shek personally.

Despatched to the Department and Legation.

FOR THE MINISTER

ATCHESON



FW 793.94/70:36

FE

Paraphrases sent to O.H.G. + M.G.H.

See

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)

P A R A P H R A S E

Paragraph 2 of telegram No. 154 of June 13, 1935,
from the American Consulate General at Nanking, reads
substantially as follows:

According to a high Chinese source the Japanese
demands were far-reaching in character because the Japa-
nese found upon Sun Yung-ching orders received from
Chiang Kai-shek personally covering anti-Japanese activi-
ties. The informant states that this is now a proven
fact.

793.94/7029

FE:ECG

FE

DECLASSIFIED: E.O. 11652, 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

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

REP

1-1236

FROM

SPECIAL GRAY

Nanking via N. R.

Dated June 13, 1935

Rec'd 1:40 p. m.



Secretary of State,

Washington.

153, June 13, 3 p. m.

My 151, June 13, 1 p. m., paragraph two.

One. It is reported that when presenting agreement

for Ho's signature on June 11, Takahashi suggested that rejection of the fresh stipulations might make necessary a reorganization of the National Government to provide a regime with Tuan Chi Jui as chairman and that this evidence of the insatiable character of Japanese ambitions was a determining factor in the decision of the Central Political Council, referred to in paragraph one of my 151. This report states that the fresh requirements of the Japanese included, (one), that China should cease relying upon Western powers to counteract Japanese activities, and another that Japanese should be invited to participate in any foreign loan made to China.

Two.

793.94/7037

FILED
JUL 26 1935

F/G

793.94

7031

Division of
FOR EASTERN AFFAIRS
JUN 13 1935
Department of State

REP

2-#153, From Nanking, June 13, 3 p.m.

Two. There is speculation here whether, in the event of Sino-Japanese clash in the North Yen Hsi Shan, his adherent Shang Chen and Han Fu Chu would remain loyal to National Government. Han, however, is apparently in bad odor with the Japanese; Suma of the Japanese Legation states that Han is "involved" with Yu Hsueh Chung and that unless he takes care the Chinese will "lose everything, Shantung also".

Three. Suma states further that there is no possibility of the Chinese attempting armed resistance against Japanese troops in North China and that any announced rejection of Japanese demands will be for face saving purposes and without substance.

Four. Central Political Council last night decided to send Tang Yu Jen to Szechwan to see Chiang Kai Shek ^{altered} but/this decision because of time element and despatched a lengthy telegram to Chiang asking his instructions. It is said that the question of armed resistance will depend upon Chiang's reply.

FOR THE MINISTER

ATCHESON

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

TELEGRAM RECEIVED

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

REP

1-1286

FROM

SPECIAL GRAY

Peiping via N. R.

Dated June 13, 1935

Rec'd 2:50 p. m.

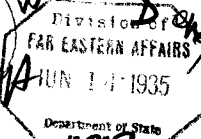
Secretary of State,
Washington.

270, June 13, 3 p. m.

STRICTLY CONFIDENTIAL.

General Ho Ying Chin accompanied by Mrs. H6 left Peiping at 3 a. m. this morning by special train (?) responsible Chinese official called on me at 11 a. m. and presenting General Ho's card stated that Ho had gone to Nanking to report on his negotiations with the Japanese and to seek instructions. He stated that the difficulty was that the Japanese did not seem to know what they wanted; that they had made certain oral demands, namely, the dismissal of Yu Hsueh Chung, the removal of all Kuomintang agents from the Province of Hopei, the departure of all government troops from Hopei, the removal of the gendarmerie, and the abolishment of anti-Japanese organizations; and that all of these things had either been done or were in process of being carried out but that one never knew when the

Japanese



793.94/7038

FILED
JUL 26 1935

F/G.

793.94

7E

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

REP

2-#270, From Peiping, June 13, 3 p.m

Japanese might not return with some new request.

This official said that the Japanese came to see Ho on June 11 and presented a draft of a document which they asked him to sign. The document itself was in four parts. Paragraph one set forth what the Chinese Government had done specifically to meet the desires of the Japanese. Paragraph two was an undertaking on the part of Ho that none of the people involved in the Japanese desires, namely, General Yu, the Kuomintang personnel, the Chinese Government armed forces, the gendarmerie, or anti-Japanese organizations, would return to this area. Paragraph three stated that the Government would appoint officials in this area who would be both pro-Japanese and pro-Manchukuo. Paragraph four agreed that the Japanese would be permitted to assign "inspectors" here presumably for the purpose of seeing that these terms were carried out. According to my informant, Ho refused to sign this document and stated to the Japanese officials that they had requested orally that the Chinese carry out certain of their desires voluntarily which the Chinese were in the process of doing and that he was in no position to sign any such document. (END OF STRICTLY CONFIDENTIAL)

(GRAY)

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

REP

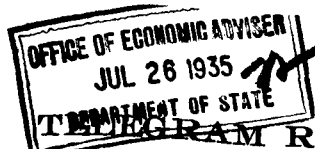
3-#270, From Peiping, June 13, 3 p.m.

(GRAY) Residents of Peiping are highly apprehensive of political developments and some Chinese are leaving. There are many reports and rumors. These lend support to the opinion that the Japanese military is progressing toward elimination of control of North China by the National Government as well as support to the opinion that future developments will include a North China under pressure Japanese or "traitor" Chinese guided by Japanese. Among the possible Chinese of this sort are mentioned Yen Hsi Shan and Sun Chuan Fang. Many emissaries are said to be visiting the former, while the latter's name is mentioned because the new head of the public safety bureau at Tientsin Liu Yu Shu is a former officer of Sun who is in retirement at Tientsin. My informant of the first paragraph stated that the Japanese are inciting Liu Kuei Tang to make trouble. There are also rumors of a separatist movement among Chinese antagonistic to Chiang Kai Shek while since rumors have arisen as a result of the presence in Peiping during the past week of Prince Kung, cousin of Pu Yi who is said to have assisted Doihara in the establishment of Manchukuo.

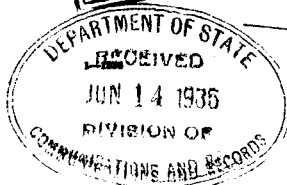
JOHNSON

HPD-WSB

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



FS



GRAY & PLAIN

June 17 1935 *FE*

Shanghai via N. R.

Dated June 14, 1935

Rec'd 8:05 a.m.

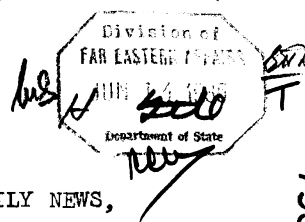
copy to Secretary June 15 1935

Secretary of State,

Washington.

312

~~313~~, June 14, 1 p.m.



One. This morning's NORTH CHINA DAILY NEWS, Shanghai, carries United Press report Peiping date line June 13th as follows:

"'China is now friendless', Major Takahashi, the Japanese Military Attache, told the United Press in an interview today. 'Friendship with the U.S.S.R. brought Communist troubles to China', he continued, 'and the United States is not a friend, but an enemy, as is shown by the United States silver buying policy, which is most harmful to the interest of this country. American economic aggression in China is more serious than Japanese military policy'."

^{is}
Two. This/the second instance which has come to the notice of this office wherein the United States economic policy has been publicly denounced as more harmful to China than Japanese military aggression. Please see my telegram 214, May 3, 4 p.m.

Repeated to Legation.

HPD

CUNNINGHAM

793.94/7039

FILED
JUL 27 1935

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

TELEGRAM RECEIVED

1-1220

FROM

Moscow

FS

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

Secretary of State
Washington.

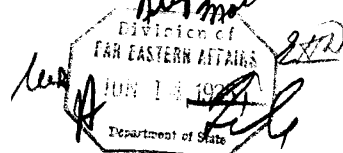
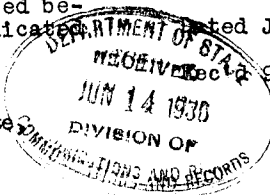
234, June 14, 8 a.m.

STRICTLY CONFIDENTIAL.

Dr. Yen, Chinese Ambassador in Moscow, has just informed me that he received a telegram from his Government stating that the Japanese Military Attache in Nanking under threat of a further Japanese advance in North China demanded verbally that the Chinese Government should agree to withdraw all Chinese troops from the Province of Hopei, should appoint hereafter as officials in that Province only men previously approved by the Japanese Government, should abolish all Chinese political organizations in the Province to which the Japanese Government might object and should give the Japanese Government complete control of access to the Province from other portions of China.

Yen said that Wang Ching Wei had telegraphed that he had refused these demands. Yen expressed the personal opinion that the Japanese were bluffing and would

not



793.94/7040

FILED
JUL 26 1935

793.94

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

FS 2-No. 234, June 14, 8 a.m. from Moscow

not for the moment advance further.

I telegraph this morning merely because Yen informed me that Wang Ching Wei had not yet communicated it to the missions in China.

For my future guidance I should be glad to know whether such communications from me are superfluous.

CSB

BULLITT

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

1-138
PREPARING OFFICE
WILL INDICATE WHETHER

TELEGRAM SENT

1-138

TO BE TRANSMITTED
✓CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTIAL
PLAIN

Collect

Charge Department

Charge to

\$

RECEIVED
Department of State
DEPARTMENT OF STATE

This code is set in Confidential Code.
If changed, it will be set in Plain Code.
1935 JUN 15 3:37 PM
Do not communicate to anyone.

Washington,
June 15, 1935, 20

DIVISION OF
COMMUNICATIONS
AND RECORDS

MOSCOW (U.S.S.R.)

128
Your 264, June 14, 8 a.m., last paragraph.

The Department will be glad to have you ^{continue to} transmit
information of this sort received from diplomatic
colleagues or ^{Soviet} ~~Russian~~ official sources.

RPK

793.94/7040

Russell
(Russ)

793.94/7040

FE:WRP:EJL

FE

7/27/41

JUN 14 REC'D

CA
JUN 15 1935

Enciphered by WV

Sent by operator M., 19

D. C. R.—No. 50.

1-138

U. S. GOVERNMENT PRINTING OFFICE: 1934

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

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

FS 1-1286 FROM
DEPARTMENT OF STATE
RECEIVED
JUN 14 1935
DIVISION OF
COMMUNICATIONS AND RECORDS
SPECIAL GRAY
Nanking via N. R.
Dated June 14, 1935
Rec'd 10:50 a.m.

Secretary of State,
Washington.

159, June 14, 5 p.m.

I am confidentially informed by head of a government ministry that Chiang Kai Shek will probably come to Nanking and may arrive tomorrow. Ho Ying Chin, he states, did not reach Nanking until this afternoon, having stopped over at Paotingfu. He states further that the situation looks a little better today than yesterday but no matter what turn events may take China has already done everything possible to accommodate the Japanese and can do no more.

For the Minister

WSB

ATCHESON

FILED
JUL 26 1935

793.94/7041

F/G

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

TELEGRAM RECEIVED

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

BC

1-1230

FROM

Gray

Peiping via NR

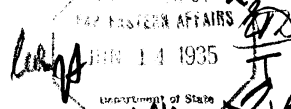
Dated June 14, 1935.

Received 9:33 AM



Secretary of State,
Washington.

Copy sent to Moscow June 25



793.94

274 June 14, noon.

Following from American Consul General at Mukden:

"June 13, noon. Japanese press despatch today published Kokutsu Peiping despatch reporting that, taking advantage of the North China affair, Hopei, Shantung, Shansi and Chahar are forming a political bloc in opposition to the Nanking Government and the Kuomintang and that this has served in fact to put an end to Chiang Kai Shek's unification policy. The despatch states that the new North China regime lacks the anti-foreign complexion of the Kuomintang which makes it clear that it will follow a pro-Japanese and pro Kuomintang policy. The report forecasts that ^{as the} bloc extends a new nation hostile to Chiang will develop, and notes that high hopes are entertained by the populace in regard to the future developments of autonomy in these four provinces." Repeated to Nanking.

JOHNSON

WSB CSB

793.94/7042

FILED

JUN 26 1935

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

TELEGRAM RECEIVED

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

FS



FROM GRAY

Peiping via N. R.

Dated June 14, 1935

Rec'd 1:38 p.m.

Secretary of State,
Washington.

Copy sent to Moscow June 25

793.94

276, June 14, 6 p.m.

Legation's 274, June 14, noon.

Following from American Consul General at Mukden.

"June 14, 3 p.m. My June 13, noon.

Local press today published obviously inspired reports alleging that Chiang Kai Shek is supplying arms to Chahar chairman and urging him to continue anti-Japanese activities and to maintain contact with outer Mongolia and Soviet Russia. Reports add that former northern clique leaders are urging Chiang to endeavor embroil Japan lobby with powers having North China interests."

WVC

JOHNSON

F/G.

793.94/7043

FILED

JUL 26 1935

Division of
FAR EASTERN AFFAIRS
JUN 14 1935
Department of State

7042

DECLASSIFIED: E.O. 11652, 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

RECEIVED
DEPARTMENT OF STATE
DIVISION OF FAR EASTERN AFFAIRS

1935 JUN 20 PM 1 22 June 15, 1935.

On its telegram No. 155, June 14, 1935, the Nanking office of the Legation informed the Department of a statement made by the Political Vice Minister for Foreign Affairs in regard to complications with the Japanese military in North China beginning, roughly, on June 1. This telegram ended with the report that the Vice Minister informed Mr. Atcheson that the Chinese Government would be pleased "to learn the attitude of the American Government" in reference to the developments herein described. It may be well to describe the Chinese mental "background" behind the Vice Minister's request for an indication of the attitude of the American Government, on the basis of impressions I received from conversations in Nanking:

793.94/7044

It is significant that the Chinese Foreign Office waited so long before making this inquiry. It seems clear that the Foreign Office hoped to learn from its Minister in Washington the nature of the reaction of the Department of State and that the Foreign Office itself made this inquiry unwillingly and

FILED
JUN 20 1935
only

F/G

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

- 2 -

only because the Minister in Washington had failed to report pertinent information. It might possibly be wise to adopt some method of assuring the Foreign Office in Nanking that its Minister in Washington is in constant and friendly contact with the Department of State.

The Chinese Government admits to itself that it cannot successfully fight Japan and that its efforts to oppose Japan's encroachments through the usual tactics of diplomacy, i.e., evasion, procrastination, argument, et cetera, are not likely to be successful. The Chinese Government feels that if it risked an actual war with Japan, Japan would be the victor and would "legalize" its gains through a dictated treaty; while the western powers would do nothing to assist China in the struggle and, faced with a fait accompli, would tacitly or formally recognize Japan's gains.

One reason the Chinese Government wants to know the "attitude" of the American Government toward recent

Japanese

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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

- 3 -

Japanese aggressive acts in North China is to learn whether China can count upon any form of assistance from the United States against Japan. In this connection, it would be immaterial to China whether the United States opposed Japan's advance on the ground of its own interests, international "justice", or friendship for China. The Chinese Government has long felt that it is being forced to make an irrevocable decision, that is, the decision to continue to place reliance on the League or on some nation, for example, Great Britain, the Soviet Union or the United States, or, on the other hand, to discard all hope of support from these quarters and to make the best terms obtainable from Japan in the present circumstances. Time and again the Japanese military authorities, supported by the Japanese Foreign Office, have warned the Chinese Government against placing any reliance on the League or on any foreign power. The Chinese Government appears still to cherish a hope, however, that the western powers, actuated either by self-interest or by what the Chinese regard as principles of "international justice", may do something to oppose Japan's

encroachment

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

DEPARTMENT OF STATE

DIVISION OF FAR EASTERN AFFAIRS

- 4 -

encroachment on China.

In face of the Japanese warnings already mentioned, the Chinese Government does not dare openly to approach any foreign power in a manner even suggesting that intervention is being sought. The Chinese Government has reason to anticipate that the Japanese Government would resent such action and would immediately increase its pressure on China. Nevertheless, knowledge of the "attitude" of the important powers toward Japanese activities in North China is a vital factor in the decision which the Chinese Government must make. Hence these attempts to sound out the Department of State.


FE:WRP:EJL

TELEGRAM RECEIVED

REP

1-1235

FROM

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

NANKING

Dated June 14, 1935

Rec'd 2:20 p. m.

Secretary of State
Washington.

RUSH

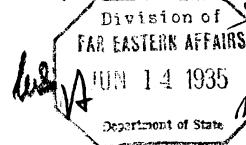
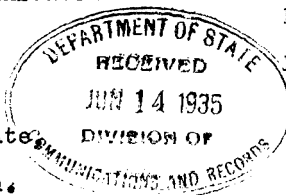
155, June 14, 11 a. m.

STRICTLY CONFIDENTIAL.

One. The political Vice Minister for Foreign Affairs called me to the Foreign Office this morning. He stated that the situation in the North was very grave and full of danger, that the Legation and the Department had doubtless read considerable Japanese propaganda concerning it in the press and that he desired to tell me, not as Chinese propaganda, but by way of informing the American Minister and the American Government confidentially as to the facts of the matter. He said that the Chinese Minister in Washington had in addition been instructed to keep the Department informed.

Two. The following is the substance of his oral statement which he presented in a somewhat confused form:

(One)



793.94/7044

FILED
JUL 26 1935

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

REP

2-#155, From Nanking, June 14, 11 a.m

(One) On the afternoon of May 29 Takahashi, Assistant Military Attache in Peiping, and Sakai, Chief of Staff of the Tientsin Japanese garrison, called on Ho Ying Chin and while they presented no demands they called Ho's attention to the following two "considerations": (1) that Peiping and Tientsin were being used as bases for activities directed against Japan and "Manchukuo" and (2) the assassination of two Chinese editors in the Japanese concession May third was a provocative and anti-foreign act in violation of the Tanku Truce and the Boxer Protocol and was committed by "Blue Shirts" of Chiang Kai Shek. (The Vice Minister stated emphatically that no such organization exists) Sakai offered his personal opinion that Yu Hsueh Chung, Chairman of the Hopei Provincial Government, should be removed.

(Two) On June nine Takahashi and Sakai called again on Ho and orally presented the following demands: (1) that the Peiping and Tientsin Tangpu should be closed; (2) that Yu's 51st army corps should be transferred from Hopei; (3) that the 2nd and 25th divisions should leave the province; and (4) that all organizations in North China considered by the Japanese to be objectionable should be disbanded and suppressed. The two

REP

3-#155, From Nanking, June 14, 11a.m

two Japanese officers intimated that failure to comply might result in an extension of the demilitarized zone to include Peiping and Tientsin.

(Three) On June 10 the same officers once more called upon Ho and informed him that he must give a favorable reply to the June 9 demands by June 12th, 12 noon. The evening of June 10 Ho replied agreeing to the demands and pointing out that they were being complied with -- the political training corps of the branch military council had been abolished, Tangpu offices and the headquarters of the Hopei Provincial Government were being removed to Paotingfu, the National Government had transferred General Yu and assigned his army elsewhere, the other troops were being transferred, a new mayor had been appointed for Tientsin, and the National Government had issued a mandate against anti-Japanese activities of any kind. Ho's reply was received by the Japanese military officials as satisfactory and it was considered that the crisis had passed, the Japanese Premier so reported to the Japanese Cabinet.

(Four) On June 11 Takahashi called again on Ho and handed him a "memorandum". He demanded that Ho make

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

REP

4-#155, From Nanking, June 14, 11am

a copy of the document, seal the copy and send it to him. The memorandum set forth the demands already made and supplemented them with what the Japanese termed "additional matters": (one) The removal of the troops within a time limit must be under Japanese supervision; (two) There must be consultation with the Japanese authorities in North China concerning all Chinese provincial and municipal appointments; and (three) anti-Japanese activities and organizations must be completely suppressed in all parts of China. On this occasion Takahashi threatened that rejection would make it necessary for the Japanese forces to take "appropriate measures".

(Five) The Chinese Government had directed Ho to decline to sign or seal the document.

Three. The Vice Minister stated that the Chinese Government would be pleased to learn the attitude of the American Government in respect to the developments in North China which he had just described.

Four. As this telegram is being sent the newly appointed Japanese Ambassador to China is presenting his credentials.

Five. Despatched to the Department and Legation.

FOR THE MINISTER
ATCHESON

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

5-128
PREPARING OFFICE
WILL INDICATE WHETHER

Collect
Charge Department
OR

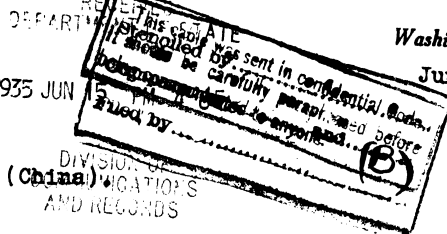
Charge to
\$

TELEGRAM SENT

1-128

TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTIAL
PLAIN

Department of State



Washington,

June 15, 1935.

4 p.m.

AMLEGATION,

PEIPING (China) COMMUNICATIONS
AND RECORDS

RUSH.

Confidential.

Nanking 155, June 14, 11 a. m., to Department,

On June 12 and June 13 the Chinese Minister here, under instruction from his Government, communicated in confidence to the Department information which is in substantial accord with that communicated to Atcheson and as reported by him in the first two main paragraphs of his telegram under reference.

Inform Tokyo.

Hull
(as)

793.94/7044

792.94/7044

FE:MMH:REK

FE

m. m. h.

Enciphered by

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

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

2-100
PREPARING OFFICE
WILL INDICATE WHETHER

Collect
Charge Department
OR

Charge to
\$

TELEGRAM SENT

1-138

TO BE TRANSMITTED
✓ CONFIDENTIAL CODE ✓
NONCONFIDENTIAL CODE
PARTIAL
PLAIN

Department of State

RECEIVED
DEPARTMENT OF STATE

Washington,

June 20, 1935.

AMERICAN CONSUL,

NANKING (China),
DIVISION OF
COMMUNICATIONS
AND RECORDS

5/ Your 155, June 14, 11 a. m., paragraph three.

One. / Please orally inform the Political Vice Minister for Foreign Affairs that the Department of State is appreciative of the information supplied by the Ministry of Foreign Affairs in regard to recent events in North China as transmitted through the Chinese Minister in Washington on June 13 and through you on June 14; that the Department is gratified whenever the Foreign Office thus enables the American Legation to report authoritatively on developments likely to be of mutual interest; that on June 18 the Chinese Minister called at the Department and in response to inquiry was given orally a summary of information reaching the Department through other than Chinese sources in regard to events in North China; and that the Department understands that the Chinese Minister has cabled to the Foreign Minister the substance of the information thus communicated to him.

Two. / For your own information but not repeat not for communication to the Vice Minister, the substance of the information communicated orally to the Chinese Minister here on June 18 is as follows: The British Ambassador had called

Enciphered by

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

793.94/7044

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

TELEGRAM SENT

Department of State

Washington,

- 2 -

[at the Department, to bring, to our attention, the substance of, the information, which the, Chinese Ambassador, in London, had, communicated to the, British Foreign Office, information, which, appeared to be, substantially, similar to, that which, the Chinese Minister, had communicated to us, The British Foreign Office, had, instructed, the British Embassy, in Tokyo, to make, certain, inquiries, of the Japanese Foreign Office. It was, our, understanding that, the Japanese Foreign Minister, maintains, (a), that, no repeat, no, demand, had been made, as reported, on the, Chinese authorities, that the, Chinese officials, in North China, should be appointed, only, with the approval of the Japanese military; (b), that ~~the~~ Japanese troops, could not, move, south of, the Wall, without the, approval of the, Emperor; and (c), that, no, repeat, no, alteration, of Japan's, policy, in China, is envisaged., The Chinese Minister, was informed, also that, we were, not, repeat, not, at that time, contemplating, taking, any action; that the, reports from, the Far East, were conflicting, and, changing from day to day; and that, it was not, repeat, not, clear, what, attitude, the Chinese Government, would take,

Three. Repeat to Peiping. *as, Sept 1, 1935, Huell*

793.94/7044

FE:MMH:REK

Enciphered by

Sent by operator

M.,

19

JUN 20 1935

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

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

REP

1-1836

FROM

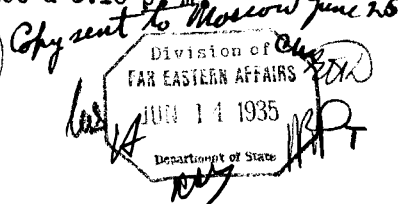
GRAY

Peiping via N. R.

Dated June 14, 1935

Rec'd 3:10 p.m.

Secretary of State,
Washington.



275, June 14, 4 p. m.

No known major developments have occurred in this area during the past 24 hours.

Great uneasiness continues to exist in Peiping. Chinese officials express apprehension that administration of North China will be put in the hands of Chinese opposed to Nanking. However, the difficulty of obtaining accurate information from either Japanese or Chinese sources makes an accurate and full account of day to day developments impossible. Chinese officials here profess to know little of what is going on.

There is a considerable number of troops at Koupeikou and some have advanced to Miyun. The Chinese press state that there are 300 at Miyun; Takahashi admits that "some" are there, claiming that their presence is due to inadequacy of accommodations at Koupeikou.

Military sources report that one Japanese mixed brigade of four or five thousand is at Shanhaikwan and

that

793.94/7045

JUL 26 1935

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

REP

2-#275, From Peiping, June 14, 4 p.m.

that there are eight empty trains there also. Japanese replacements said to number 1700 have arrived at Tientsin and Takahashi is authority for the statement that old troops will leave when tension has ceased there.

Takahashi has stated that the Chahar incident is the only major incident remaining unsettled; that demands have not yet been formulated; and that it has not been decided to whom the demands will be presented.

Reverend Winans of American Methodist Mission at Changli reports that on June 11 Japanese military opened a hole in the wall of the mission compound at Shanhaikwan and proceeded to stable 120 horses. Only Chinese are living in compound. Matter was taken up by Winans with commander of Japanese troops at Shanhaikwan who stated that horses would be removed and that it was not realized that property belonged to American mission. The matter has been brought to the attention of Japanese consular authorities at Tientsin by the Consulate General.

Repeated to Nanking.

JOHNSON

WSB

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

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TELEGRAM RECEIVED

REP

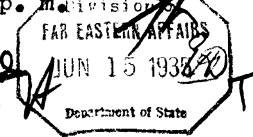
SPECIAL GRAY

FROM Nanking via N. R.

Dated June 14, 1935

Rec'd 2:55 p. m.

Secretary of State,
Washington.



793.94

156, June 14, noon.

One. From what I have learned from other sources I consider outline of developments in my 155, June 14, 11 a. m. a fair and honest opinion subject to criticism chiefly in its under statement. While the additional demands reported in previous telegrams and the press may not all have been written into the memorandum which Ho was asked to sign on June 11, it is my understanding that they were actually presented in some form by Japanese military officials to Chinese officials in the North. The spokesman (?) in particular informed that there were so many Japanese Military Attaches and spokesmen of various Japanese military agencies (Kwantung army, Tientsin garrison, general staff, war ministry) that it was difficult to keep accurate count of every Japanese warning, proposal, demand, threat or restriction which had been laid before Ho and other Chinese functionaries in Hopei. Upon my mentioning that I had heard that the

additional

793.94/7046

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JUL 26 1935

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

REP

2-#156, From Nanking, June 14, noon

additional demands of June 11 included the removal of Chinese Government troops from the area north of the Yellow River and the return of Chiang Kai Shek to Nanking, he denied that any new demands had been made. Another responsible official of the same Ministry, however, and sources close to the Central Political and National Defense Councils stated that they were among those listed in the June 11 memorandum.

Two. It seems generally the policy of the Chinese Government to minimize matters in respect to the current situation in the north and press reports reaching Nanking today state that the Japanese military are now denying that fresh demands were presented June 11; this may possibly be a hopeful sign.

Three. I have so far been unable to learn what transpired at meeting late yesterday of Ariyoshi and Wang Ching Wei. It is reported that the Japanese are continuing to press for the return to Nanking of Chiang Kai Shek, but the requirement is now said to be that he come here to talk with Ariyoshi rather than with Japanese military representatives. This may indicate a belated disposition on the part of the concerned Japanese military authorities to bring the Foreign Minister actively into the

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

REP

3-#156, From Nanking, June 14, noon.

the situation, possibly as a means of counteracting the notoriety which is expected from their disregard of the civil branches of the government and possibly to obtain the Foreign Office stamp of approval upon their actions in the north.

FOR THE MINISTER

ATCHESON

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

Paraphrase *7/2*
TELEGRAM RECEIVED *sent to*

FS
This telegram must be ¹²³⁶FROM Nanking
closely paraphrased be-
fore being communicated
to anyone. Dated June 15, 1935

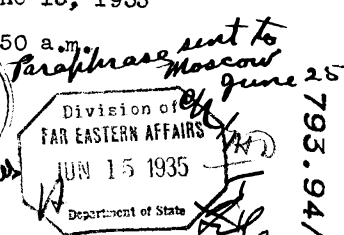
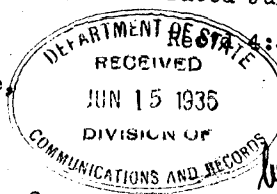
Secretary of State,
Washington.

160, June 15, 9 a.m.

One. According to well informed officials there
is now hope that if Chiang arrives and gives satisfactory
assurances, the Japanese will not press further with
respect to Hopei. They expect, however, that the Japan-
ese, in furtherance of a long planned strategic advance
in Inner Mongolia directed against Soviet Russian
hegemony in Outer Mongolia, will occupy Chahar and later
incorporate it into "Manchukuo" and perhaps Suiyuan
also. They state that a clash has actually occurred at
Chahar between Japanese troops and those of Sung Che
Pa but neither Sung nor Fu Tso Yi will do more than make
a show of resistance.

Two. If the Japanese continue dissatisfied, the
informants anticipate a Japanese demarche in Fukien and
possibly Kwangtung. They state that there has been no
improvement in Nanking-Canton relations, the departure
of Hu Han Min having made no difference in that respect.

They



793.94/7047

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F/FG

JUL 2 1935

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

FS 2-No. 160, June 15, 9 a.m. from Nanking

They state further that if the additional Japanese demands of June 11 included by implication a requirement that the Kuomintang cease functioning in all parts of China as well as in Hopei, this requirement cannot and will not be complied with.

Three. I understand that no important Sino-Japanese conversations took place in Nanking yesterday, the day having been given over to official festivities contingent upon the presentation of credentials by the Japanese Ambassador.

FOR THE MINISTER

WSB

ATCHESON

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

(CONFIDENTIAL)

PARAPHRASE

A telegram (No. 160) of June 15, 1935, from the Consulate General at Hanking, reads substantially as follows:

There is now hope, according to well-informed Chinese officials, that if General Chiang arrives in Hanking and gives satisfactory assurances the Japanese will not exert further pressure in regard to the Province of Hopei. However, these officials expect that, in furtherance of a long planned strategic advance into Inner Mongolia directed against the hegemony of the Russians in Outer Mongolia, the Japanese will occupy Chahar Province and incorporate it, and perhaps also Suiyuan, later into "Manchukuo". These informants state that, although a clash between Japanese troops and troops of Sung Che-pa has actually occurred at Chahar, a show of resistance is all that either Sung or Fu Tso-yi will make.

The above mentioned Chinese officials expect that if the Japanese continue dissatisfied a Japanese démarche may occur in Fukien and possibly in Kwangtung, and they state that relations between Hanking and Canton have not improved, the departure of Hu Han-min having made no difference in that regard. These officials state further that, if by implication a requirement that the Kuomintang cease to function not only in Hopei but in all parts of China is included in the additional Japanese demands of June 11, such a requirement cannot and will not be met.

It is understood that June 14 was given over in Hanking to official festivities in connection with the presentation

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

- 2 -

of credentials by the Japanese Ambassador and that no
important Sino-Japanese conversations took place.

793.94/7047

29.C.
FE:EGC

6/14
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mm, W

DECLASSIFIED: E.O. 11652, 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 1-1236

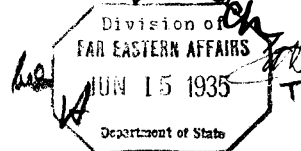
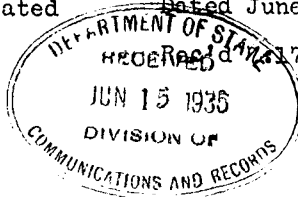
This telegram must be closely paraphrased before being communicated to anyone. (A)

FROM Peiping via N. R.

Dated June 15, 1935

Received 17 a.m.

Secretary of State,
Washington.



28 $\frac{1}{2}$ June 15, 4 p.m.

The first informant mentioned in my despatch No. 2838, July 13, 1934, informs me in strict confidence that he sees no other interpretation of events of the past two weeks than that the Japanese intend to establish an independent North China state. He regards their primary object as being the moving of their military base southward toward Chiang Kai Shek for the purpose of accomplishing Chiang's ultimate elimination. In his opinion the next development will be the appointment by (*) of some Chinese to North China so that there will be an appearance of nominal control by Nanking. He thinks that shortly thereafter the Japanese will effect a coup d'etat which will create an independent state.

WWC

JOHNSON

(*) Apparent omission

793.94/7048

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JUL 26 1935

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FE

Paraphrase sent to ONIX MID

DECLASSIFIED: E.O. 11652, 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. 281) of June 16, 1936, from the American Minister at Peiping, reads substantially as follows:

In strict confidence a well-known Chinese scholar has informed the Minister that the only interpretation which he (the scholar) can place on recent events is that the Japanese plan to establish in North China an independent state. This scholar is of the opinion that Japan's principal object is to move the Japanese military base southward toward General Chiang in order to bring about ultimately his elimination; that the next step will be the appointment of some Chinese to North China in order that Nanking may appear to be nominally in control; and that soon thereafter an independent state will be established by a Japanese coup d'état.

793.94/7048

E.G.C.
FE: EGC

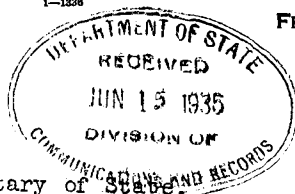
FE
m.m.v.

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

FS

1-1236



SPECIAL GRAY
FROM

Shanghai via N. R.

Dated June 15, 1935

Rec'd 6:20 a.m.

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

Secretary of State,

Washington.

315, June 15, 9 a.m.

CONFIDENTIAL.

According to report the censorship of messages sent

out by foreign correspondents at Shanghai mentioned in
several of my recent despatches is now greatly relaxed.

One of my staff saw a letter from Kwansón (?) stating

that he had discussed the matter with H. H. Kung and that
the latter had asked Mayor Wu Te ^{to} relax ^{the restrictions}. It

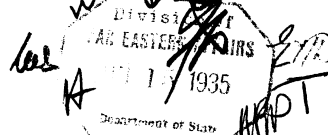
is believed that the Chinese are now anxious to have their
version of the Sino-Japanese difficulties in North China
before the world.

Repeated to the Legation and Peiping.

WSB

CUNNINGHAM

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893.918



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FILED
AUG 2 - 1935

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

TELEGRAM RECEIVED

1-1336

FROM

FS

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

Tokyo

Dated June 15, 1935

Rec'd 10:43 a.m.

Secretary of State
Washington.

RUSH

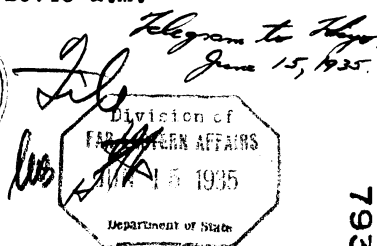
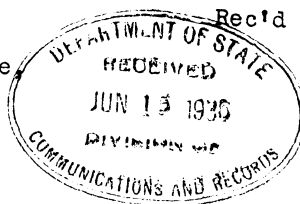
129, June 15, 1 p.m.

CONFIDENTIAL.

One. My British colleague informed me this morning
of the receipt of instructions from his Government to in-
quire of the Japanese Government as to the accuracy of the
report that the Japanese had demanded that the Chinese
should appoint no officials in North China without their
consent. If the report is stated to be accurate the
Ambassador is instructed to inform the Japanese Government
that such a demand constitutes a violation of the Nine
Power Treaty whereby among other things the Powers under-
took to respect the administrative integrity of China.

Two. In view of the fact that on June 3 the Minister
for Foreign Affairs informed the British Ambassador that
the Japanese had no intention of demanding the inclusion
of Peiping and Tientsin in the demilitarized zone and also
in view of the fact that the vice Minister informed him

on



793.94/7050

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JUL 26 1935

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

FS No. 129, June 15, 1 p.m. from Tokyo

on June 8 that no ultimatum had been issued or could be issued by the military without the approval of the Japanese Government, the Ambassador proposes to send his Counselor to see the chief of the China Bureau at the Foreign Office today and to remind him of these assurances and to inquire as to the accuracy of the report mentioned above but without (repeat without) invoking the Nine Power Treaty. The Counselor will also observe that the British Parliament is scheduled to meet next week and that questions concerning the reported action of the Japanese in China are practically certain to be asked. If the reply of the Bureau chief should be unsatisfactory the Ambassador will see the Minister or the vice Minister on Monday.

Three. Clive feels strongly the desirability of avoiding invocation of the Nine Power Treaty if satisfactory results can be obtained without such invocation in view of the irritation which such action would cause in Japan. I concur. He realized, however, that he may find it necessary to take ^{that} step on Monday.

Four. The British Foreign Office hopes that our government will take similar action but Clive is to make his

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

FS No. 129, June 15, 1 p.m. from Tokyo

his representation in any case.

Five. In this connection Clive informs me confidentially that when the Chinese Minister for Foreign Affairs returned Cadogan's ^{call on} ~~on Friday~~, June 14, the Minister said that at the moment when the British Ambassador was with him that morning the Japanese Consul General had interviewed the vice Minister for Foreign Affairs and had explained that the Japanese Government had not (repeat not) authorized these latest demands which were not official.

Repeated to Peiping.

WSB

GREW

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

1-128
PREPARING OFFICE
WILL INDICATE WHETHER

Collect
Charge Department
OR
Charge to
\$

TELEGRAM SENT

Department of State

RECEIVED
DEPARTMENT OF STATE
Washington,

1-128
TO BE TRANSMITTED
✓ CONFIDENTIAL CODE ✓
NONCONFIDENTIAL CODE
PARTIAL
PLAIN

This cable was sent in confidential code.
It should be carefully paraphrased before
being communicated to anyone.
1935 JUN 15 PM 4 05
(C)

June 15, 1935.
4 p.m.

AMEMBASSY,
TOKYO (Japan).

RUSH.

⁹³
Confidential. 7050

Your 129, June 15, 1 p. m.

One. The Department appreciates the promptness with which you communicated this information.

Two. This morning the British Ambassador called on the Under Secretary and, under instruction from his Government, communicated the information contained in your paragraphs one and four.

Three. Subsequently this morning the Japanese Ambassador called on me to present a member of the Japanese Diet. At the conclusion of the call the Japanese Ambassador remained and stated that this morning he had received a cable from the Japanese Foreign Minister expressing a desire that the Ambassador make known that there was nothing in all of the many reports, rumors and despatches coming out of China except an effort of the Japanese to have carried out two or three more or less minor things which they had asked the Chinese to do, including the transfer or removal of Yu Hsueh-chung. The

Enciphered by

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

793.94/7050

102
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Department of State letter, August 10, 1972
By Milton D. Gustafson NARS, Date 12-18-75

1-128
PREPARING OFFICE
WILL INDICATE WHETHER

Collect
Charge Department
OR

Charge to
\$

TELEGRAM SENT

Department of State

1-128 TO BE TRANSMITTED
CONFIDENTIAL CODE
NONCONFIDENTIAL CODE
PARTIAL
PLAIN

Washington,

- 2 -

The Japanese Ambassador did not repeat not mention the other two things but proceeded to say that rowing groups or small armed bands of Chinese had committed depredations upon Japanese interests. I at once replied that I was very much gratified to have this information directly from the Foreign Office of the Japanese Government. I said that with such a mass of rumors and reports, it was exceedingly important that the Japanese Foreign Office was taking these steps to keep the situation clarified; that the press of this and other countries is naturally filled with more or less alarming reports and comment that is undesirable from every standpoint. I said that lack of clarification by the Japanese Government might lead to representations from the parties having treaty rights and obligations and it would therefore be helpful if the Japanese Foreign Office continued to take action toward clarifying the situation. The Ambassador then said that the Japanese Foreign Minister had indicated that he would furnish supplemental information and I replied that this was exceedingly important and that I hoped that the Ambassador would keep in touch with the Department from day to day in connection with this entire matter.

Enciphered by

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

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

2-100
PREPARING OFFICE
WILL INDICATE WHETHER

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TELEGRAM SENT

Department of State

1-138

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NONCONFIDENTIAL CODE
PARTAIR
PLAIN

Washington,

- 3 -

Four. Please telegraph ^{urgently} what action the British Embassy (at Tokyo) finally takes. H.H.

Five. (When reporting, please express your opinion whether it appears desirable that the American Government take any action in addition to that which has already been taken as described in paragraph three above.)

Six. Repeat to Peiping with request that Minister Johnson telegraph his comment directly to Department.

Huel
up

FE:MMH:REK *WZ*

Enciphered by

Sent by operator

M.

19

D. C. R.—No. 30.

1-138

U. S. GOVERNMENT PRINTING OFFICE: 1934

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

P A R A P H R A S E

A telegram dated March 7, 1936, from the American Consul General at Canton, reads substantially as follows:

According to authoritative information, General Doihara has indicated unmistakably that, although the diplomatic party in Japan and the Nanking Government had reached a final oral agreement which the Japanese navy party tacitly approved, the agreement cannot be finally concluded without approval by the Japanese military party which is represented by Doihara and which will not pass judgment until it is assured of (1) the sincerity of General Chiang Kai-shek toward the Japanese military party as well as toward the diplomatic party and (2) toleration of the agreement, if not approval, by the group in Southwest China and other non-Nanking political groups. Leaders in Kwangtung Province who are inclined to discredit Japanese military leaders may try to effect a 'compromise agreement' with other Chinese leaders and thus nullify the Japanese coup at Nanking. General Doihara, who is now visiting leaders in Kwangsi Province, is said, however, to have brought no proposal to leaders in the Southwest whose separate declarations in regard to their attitude are in accordance with the declaration of Hu Han Min.

793.94/6901

EE:EGC

my m. 1/4

MICROCOPY

976

ROLL

28

END

